Austria......Sch22	Indonesia......Rp3100	Philippines......Peso40
Bahrain......Din0.650	Iran......Rls160	Portugal......Esc120
Belgium......BFr40	Israel......NS3.50	S.Arabia......Rls7.00
Canada......C$1.00	Italy......L1700	Singapore......S$4.10
Cyprus......C£0.90	Japan......Y600	Spain......Pta145
Denmark......DKr10.00	Jordan......Fils500	Sri Lanka......Rs30
Egypt......E£2.25	Kuwait......Fils500	Sweden......SKr9.00
Finland......Fmk7.00	Lebanon......L£250.00	Switz......SFr2.30
France......FFr7.00	Lux......LFr40	Taiwan......NT$65
Germany......DM2.30	Malaysia......Rin4.25	Thailand......Bt50
Greece......Dr120	Mexico......Peso300	Tunisia......Din0.800
Hong Kong......HK$12	Morocco......Dh6.00	Turkey......L600
Ireland......IR£1.25	Neth......Fl3.00	UAE......Dh6.50
India......Rs15	Norway......NKr10.00	USA......$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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THRIFT CRISIS
Up against it on Capitol Hill
Page 13

World News

Khartoum revokes price rises in face of protests

The Sudanese Government, facing its most serious challenge since taking office in 1986, revoked retail price increases which had prompted a country-wide strike and a third day of demonstrations on the streets of Khartoum.

Foreign news agencies reported from the capital that police had opened fire on demonstrators who refused to disperse. Later reports said that gunshot had been heard in the vicinity of the council of ministers and that Khartoum airport had been closed to all traffic. There was no word on possible casualties. Page 2

Israel-Egypt talks

Israeli Prime Minister Yitzhak Shamir said he hoped to launch a Middle East peace initiative within two months, with Egypt as broker and superpower support. Foreign Minister Moshe Arens will meet his Egyptian counterpart, Esmat Abdel-Meguid, in Paris on January 8.

French sisters free

Two young French sisters, kidnapped with their mother by the Fatah Revolutionary Council Palestinian group over a year ago, were handed over to French officials in Libya. Page 12

Armenia toll lowered

Soviet officials said that only 100 or so bodies remained to be recovered from the ruins of the Armenian earthquake on December 7 and indicated that the final death toll would be about half the first estimate of 55,000 people. Page 2

Iran cuts conscripts

Iran announced a progressive cut in the period of military service for troops in war zones, from 28 months now to two years by late March.

Angola's $800m bill

Angola asked the UN to cover the estimated $800m cost of withdrawing Cuban troops from its territory under recent agreements with South Africa. Economic difficulties meant the two countries could not bear the cost alone, President Jose Eduardo dos Santos said.

Violence in Lebanon

One person was hurt when a car bomb exploded near a Syrian checkpoint in Moslem west Beirut, and eight others when Israeli helicopters attacked positions of the pro-Syrian Shia Amal militia in the village of Sultaniyeh, 80km south of the capital.

Lisbon metro strike

Lisbon's metro underground railway was shut by a 24-hour strike, the first of a series threatened by Portuguese transport workers over pay and working conditions.

SA groups banned

South Africa banned four more anti-apartheid groups under emergency regulations, bringing the total for 1988 to almost 30. Page 3

Zambia talks to IMF

IMF officials arrived in Lusaka for talks with the Zambian Government, which abandoned Fund policies 19 months ago but now seeks approval for its own economic strategy.

Hasegawa unmoved

Japanese Prime Minister Noboru Takeshita said his new Justice Minister, Takashi Hasegawa, would stay in office even though he had "lacked prudence" in accepting donations from Recruit Cosmos, the company at the centre of a major political scandal. Page 3

India-Pakistan talks

Indian Prime Minister Rajiv Gandhi arrived in Islamabad for talks with his Pakistani counterpart, Benazir Bhutto, amid hopes of ending decades of suspicion between the two countries. Page 12

Brezhnev effaced

The names of former Soviet leaders Leonid Brezhnev and Konstantin Chernenko are to be removed from all public buildings, including the houses in which they once lived, in response to what the Tass news agency described as popular request. Page 2

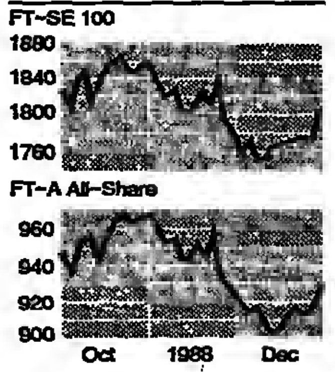
Business Summary

UK mortgage costs rise in wake of base rate shifts

BRITISH mortgage rates started moving higher, signalling wave of rises made inevitable by climb in base rates to 13 per cent during the autumn. December banking returns meanwhile provided backing for speculation that base rates may have to rise again in new year. Page 4; Lex, Page 12

FT-SE Index rose above the 1,800 mark last seen at end of November, closing up 15.7 at 1,808.4, encouraged by firmness on Wall Street. FT-A All Share Index gained 0.9 per cent to 930.43. London Stock Exchange, Page 17

FT Indices



FRANCE has proposed institutional changes to European Monetary System to help advance goal of economic and monetary union in European Community. Page 12

IBM, world's largest computer maker, will absorb hefty loss on sale of most of Rolm, US telecommunications subsidiary, to Siemens. IBM paid $1.5bn for Rolm in 1984 but will receive between $844m and $1.15bn. Page 13

DENMARK'S minority Government is reportedly considering calling on trade unions and employers to agree to 10 per cent wage cut as part of shock cure for chronic balance of payments and unemployment problems. Page 2

ALAN Bond's Hong Kong listed Bond Corporation International (BCI) increased stake in Compania de Telefonos de Chile (CTC) from 32 per cent to 50.2 per cent after subscribing to additional US$155.2m worth of shares in recent CTC rights issue. Page 15

BRITISH Government spending cuts affecting university science departments may be making UK less attractive for pharmaceutical industry investment, according to report commissioned by 17 US drugs companies with bases in UK. Page 12

SPAIN'S trade deficit was $1.82bn in November, 53 per cent higher than year ago. Bank of Spain warned that $3.2bn current account deficit expected this year is likely to more than double in 1989 to $7bn, or 2 per cent of GDP. Page 2

WEST Germany is to toughen export control laws in wake of series of widely publicised allegations of illegal transfer abroad of militarily useful technology. Page 2

PRUDENTIAL Corporation of UK agreed to pay A$98.5m (US$84.2m) to take over Australian life operations of Aetna Life & Casualty, US insurance group. Page 13

YUGOSLAVIA'S Prime Minister Branko Mikulic may be forced to introduce emergency economic measures if key reform legislation, designed to introduce a more market-oriented economic approach, is rejected by Federal Assembly today. Page 2

LONDON United Investments, specialist insurance group serving US corporations, is to buy insurance syndicate on Chicago-based Illinois Insurance Exchange from CalFed, US thrift institution, for $12.69m. Page 15

WILLIAM Collins, British publisher fighting £294m ($526m) hostile bid from Rupert Murdoch's News International, revealed terms of potential "white knight" bid. Page 13; Lex, Page 12

BANK of England is to launch revised version of sterling trade-weighted index today, rebased to 1980 trade patterns. Bank said effect of change in weights would be to reduce index by about 2 percentage points. Page 4; Lex, Page 12

French lack appetite for Revolutionary celebration

By George Graham in Paris

TWO DAYS from the start of the bicentennial, France is still far from ready to celebrate its Revolution 200 years ago.

The deaths of two successive chairmen of the Bicentenary Committee have cruelly exposed the lack of consensus over what exactly France is to *celebrate*. While causing a muted struggle among politicians and academics, however, preparations for the festivities have also run into a wall of indifference from much of the rest of the French population.

An opinion poll in the Figaro magazine showed that fewer than 40 per cent of French people were able to say in which year Louis XVI was beheaded, while 79 per cent were unable to state the political group to which Robespierre belonged. And sales of revolutionary souvenirs are running three times as fast in Japan as in France itself.

Only a tiny fringe of *monarchists* and extreme right wingers plan to boycott the celebrations of the Revolution altogether, but a great many others, including Mr Jacques Chirac, mayor of Paris and *Prime Minister between 1986* and 1988, have been accused of less than whole-hearted commitment.

Others have accused *President* François Mitterrand, then still undecided over whether to stand for *re-election, of* freezing funds in the early stages of planning for the bicentenary for fear of seeing a successor reap the glory.

To cap it all, the Louvre Museum, France's number one tourist attraction, will be closed for over a month from February 22 to prepare for the public inauguration of its new entry hall under the glass pyramid designed by Mr Ieoh Ming Pei, the US architect.

The Louvre has already infuriated thousands of visitors this year by closing for days on end because of strikes by employees, but to shut down in the middle of the bicentennial celebrations looks like peculiarly crass planning.

Also closed, this time through both January and February, will be the Picasso Museum.

Of course, no-one may *notice, for the absence of detail* on what exactly will be happening in 1989 has left holiday tour operators wringing their hands and wondering whether they will have any clients at all. The one thing they thought they were sure of, a grand concert on July 14 by Jean-Michel Jarre has had to be cancelled.

After all, London police had to have their arm twisted to allow a Jarre concert at *all*. The French authorities appear to have realised rather belatedly that to stage the show at the same time as a meeting in Paris of the Group of Seven leading industrial nations was courting disaster.

Historians appear to have been *better prepared for the* bicentenary. Massive histories of the Revolution – most of them written or prefaced by Mr François Furet, who is acknowledged as France's leading historian of the period – have been selling like Marie-Antoinette's cakes for several months now.

The Bicentennial Committee has laid down seven "high points" *for the revolutionary* year:

- January 1. "Take-off" with balloons launched in each of France's 98 departments, and the issue of a new bicentenary stamp;
- March 21. "*Taking root*" with the planting of the tree of liberty throughout the country, and a day of discussion in French schools;
- May 5. "Memory" as delegates from all over France commemorate the march-past of the States General at the palace of Versailles;
- June 17-20. "Fraternity" – the commemoration of the Tennis Court Oath with festivals outside Paris and then *on the esplanade of the Cha-*

Continued on Page 12

Bush promises to find and punish bombers behind Pan Am crash

By Lionel Barber in Washington and Michael Donne in London

MR GEORGE BUSH, the US President-elect, vowed yesterday to track down and punish firmly those responsible for the "cowardly" bombing of the Pan American jumbo jet over Scotland.

Mr Bush, continuing his Christmas vacation in Alabama, said the US was doing everything possible to prevent terrorist attacks.

Mr William Sessions, director of the Federal Bureau of Investigation, stressed yesterday that the investigation into the crash had to focus as much on the possibility that a criminal or individual may have planted the bomb as on a terrorist group being responsible.

The FBI is assisting British investigators who are leading the inquiry. If a terrorist motive is established, the FBI will pursue the matter under a 1986 law allowing the bureau to investigate and arrest terrorists.

While the FBI is stressing its subsidiary role to the British authorities, the wide-ranging 1986 law could ultimately prove a source of friction if the US wishes to press extradition.

A second emerging issue is how the incoming Bush Administration will respond, by military or diplomatic means, if a particular terrorist group is identified as responsible for the bombing. Groups under suspicion include several with links to Libya, Syria and Iran.

Mr Bush would come under strong public pressure to retaliate against any nation or group identified as responsible.

Sir Geoffrey Howe, the British Foreign Secretary, yesterday called on governments in the *Middle East* to co-operate in the international search for the culprits.

Sir Geoffrey, speaking in a BBC radio interview, said: "We clearly want to have maximum co-operation from governments throughout the world, including the Middle East.

"The important thing now is for all the agencies and countries concerned to co-operate as fully as possible in trying to indentify who was responsible for this outrage so that they can be brought to justice.

"The machinery to a large extent exists because all the important countries have got their own investigative organisations, including the US and ourselves."

At UK airports increased security measures for US airlines took effect early yesterday on Department of Transport instructions following the official confirmation that a bomb was responsible for the death of 270 people in Britain's worst *air disaster*.

Airports overseas, especially on the Continent, also stepped up their security arrangements.

In West Germany, where the ill-fated flight originated with passengers then changing aircraft in London, the Federal Interior Ministry will today consider increased security measures for the country's airports.

British police teams have flown to West Germany and more will be going to other countries – possibly including the Middle East.

Detective Chief Superintendent John Orr, the Scottish officer leading the hunt in concert with Scotland Yard's Anti-Terrorist squad and the FBI, said: "We are going to try to find out quickly who did this. I have officers in West Germany at the moment and others will be going to other countries in the next few days."

All the information collated by the various organisations will be collated on computers at Lockerbie, scene of the crash, linked to the Home Office major *inquiry computer*.

The Transport Department, the airlines and the British Airports Authority (which runs Heathrow and Gatwick) declined to detail the new airport security rules. Passengers moving through London's Heathrow and Gatwick airports said they were being subjected to tougher individual body and baggage searches.

In addition to normal hand-baggage and body searches, Pan Am was asking passengers to put their stowed baggage through X-ray machines before checking in. A white plastic strip then sealed the luggage before it was processed in the normal manner.

Some airlines, such as Trans World, were also asking passengers *detailed* questions about whether they had packed their baggage themselves, and whether it had been left unattended at any time subsequently.

No airline appeared to be going as *far* as El Al, the Israeli airline, whose security measures are a byword. It opens all baggage at check-in and makes detailed searches of even sealed packages found in the luggage. Such procedures have made El Al the world's safest airline but have also resulted in check-in times of two hours or more.

Special arrangements are made at airports for El Al. Similar arrangements for every airline would slow the entire air transport system considerably, although many believe that would be preferable to the risk of terrorist attack.

Many civil aviation officials believe the only way to achieve near-total security would be to X-ray stowed baggage once it has passed through the normal check-in procedures, though that would be almost prohibi-

Continued on Page 12

Political row brews over sale of thrifts

By Lionel Barber in Washington

THE US Government's $7bn rescue this week of six insolvent savings and loans institutions is set to provoke a major political row in the new year.

Leading Democrats expressed concern over the lucrative tax benefits made available to the buyers of the thrifts in Texas and California *because they include two of* the country's most celebrated corporate raiders, Mr Ronald Perelman and Mr Robert Bass.

Several Congressional committees are expected to use their powers to demand full details of the transactions to check on the possibility of "sweetheart deals", and the level of risk assumed by the investors.

The Federal Home Loan Bank board on Wednesday announced the sale of a package of five Texas thrifts with combined assets of $12.2bn to Mr Perelman and other investors.

It also sold the California-based American Savings of Stockton, with $30.1bn in assets, to Mr Bass. Both deals involved a relatively small initial cash injection by the investors, plus substantial tax breaks stemming from the net operating losses from the thrifts.

In a letter to the Federal *Home Loan Bank Board, the* industry regulator responsible for the sales, Senator Tim Wirth of Colorado, an influential member of the Senate Banking committe, said: "I

Continued on Page 12
Editorial Comment, Page 12; Up against it on Capitol Hill, Page 13

US lists 86 bases for closure to cut defence costs

By Lionel Barber in Washington

A US government commission yesterday recommended the closure of 86 obsolete domestic military bases in a move which could save up to $5.6bn over the next 20 years.

The commission's proposals amount to a call for dramatic changes in US force structure, and are certain to provoke an outcry in Congress because of the economic benefits which military bases offer to many areas of the country.

The list of bases to be closed is far more extensive than expected and does not include five partial closures and a further 54 to be "realigned." The total of 145 bases affected compares to a total of 5,000 military installations in the US, 300 of which are ranked as major.

Among the operations which face cuts or closure are the Presidio in San Francisco, Galveston Naval Station in Texas, Norton air force base and George air force base in Southern California, the Brooklyn Naval Station in New York, and Fort Sheridan in Illinois which includes two beaches and a golf course.

Congress set up the bipartisan commission this year in an effort to break a decade-long stalemate where lawmakers baulked at shutting down military bases on local economic *grounds. The recommenda*tions must first be approved by mid-January by Mr Frank Carlucci, the US Defence Secretary, who must either accept or reject the entire list. He is expected to accept.

Congress then has 45 days, starting March 1, to consider the measure, which can be killed only by a two-thirds majority of *both* houses voting against it. If Congress takes no action, the closings are set to begin automatically by January 1 1990.

Congress has to appropriate $300m to carry out the recommendations because the estimated savings of $693m per year in base operating costs will not take effect immediately.

The 12-strong bipartisan commission was headed by Mr Abraham Ribicoff, a former Democrat Senator from Connecticut, and Mr Jack Edwards, a former Republican Congressman from Oklahoma. One dissenting voice came from former Senator Thomas Eagleton of Missouri, a Democrat, who accused the US Navy of stonewalling and getting away with it.

The significance of the panel's recommendations goes beyond the economic impact on communities, though these are expected to be substantial. If Congress goes along with the closures, lawmakers will send a powerful signal to the incoming Bush Administration that it is willing to consider changes in US force structure, personnel and weaponry.

Many defence experts believe these changes are necessary because of the *mismatch* between planned spending and Congressional approved funds in the Pentagon budget. Over the next five years, between $150bn and $200bn may have to be cut out of ambitious spend*ing plans drawn up by Mr Cas*par Weinberger, the former US Defence Secretary.

EC market 'will force joint deals'

By Terry Dodsworth, Industrial Editor

LORD WEINSTOCK, managing *director* of the UK's General Electric Company, believes that growing integration of the European market will force more large companies to consider joint venture projects of the type he has recently announced with Siemens of West Germany and Alsthom of France.

Collaborative deals are necessary, he says, because Europe's *big industrial groups* need broader markets and larger technological resources, but are not willing to cede control over their operations.

GEC and Siemens are now entering a crucial phase in *their joint takeover bid for* Plessey, the UK electronics and defence group which successfully scuppered a bid from GEC two years ago.

Collaboration in this deal, which broadly involves the two companies working together in the three fields of telecommunications, defence and semi*conductors, has* led to *speculation* that Siemens, the larger of the two companies, might eventually swallow the UK group.

Lord Weinstock, however, firmly rejects suggestions that GEC will allow itself to be dismembered, or even push through radical de-merger plans of the type he has talked about in recent years.

"Everybody thought when the Plessey deal was announced that, in the end, we would fall under Siemens' domination. That was not at all the intention. We shall go with Siemens as far as we can because we think they are going to be good partners," he said.

Alsthom, he adds, had proved to be the ideal partner for GEC's power engineering division, which is now being merged with the French group.

On the issue of the proposed Plessey takeover, where GEC and Siemens run the risk of regulatory opposition for monopoly reasons, Lord Weinstock says the company is willing to run Plessey's defence business on an arms-length basis.

"*In the Plessey deal we shall* reduce costs because we will work together in technological fields."

Weinstock builds a Euro-future, Page 10

CONTENTS

OVERSEAS NEWS

Armenians cut earthquake toll estimate by half

By Our Moscow Correspondent

ARMENIAN officials suggested yesterday that the total number of casualties from the December 7 earthquake was closer to 25,000 than the 55,000 figure which Soviet Foreign Ministry officials have given at a series of press briefings.

Speaking with Moscow journalists through a satellite hook up with Yerevan, the Armenian officials said they had dug 39,700 people out of the rubble as of December 28, and expected to find only "some one hundred" more bodies. Out of those 39,700, 15,000 had been dug out alive, leaving the total number of dead at nearly 25,000.

Mindful that Mr Gennadi Gerasimov, the Soviet Foreign Ministry Spokesman, was seated at a podium on the Moscow end of the hookup, Armenian officials refused to say thet the Foreign Ministry had been giving out inaccurate figures, but under persistent questioning, they held to their 25,000 estimate.

"At first, it seemed there would be more," according to Mr Mr Vargdes Artrunin, Armenian Deputy Prime-Minister. "That's why we were saying it looked like 40,000."

Two weeks ago, Prime Minister Nikolai Ryzhkov lashed out at the Foreign Ministry for doing little to help the rescue efforts. In remarks carried on national television, he said Foreign Ministry officials had only sat in Moscow giving briefings in which officials cited "mythical" casualty figures, whils other ministries helped rescue the dead.

Shevardnadze: testy response

In an interview in the weekly Moscow News, Mr Eduard Shevardnadze, the Foreign Minister testily responded to the criticism, noting that "the conscience of our diplomats is clean" and adding "personally, I consider it below my dignity to publicly reprimand anyone."

Thursday's satellite hook up, which was sponsored by the Foreign Ministry, appeared to have been aimed at quelling the criticism.

Moscow tries to allay growing fears on prices

By Our Moscow Correspondent

IN AN effort to quell public concern over forthcoming price reform, a Soviet official announced yesterday that in 1989 retail prices on some consumer goods will fall.

In an interview with the newspaper "Argumenti I Fakti," Mr Ivan Gorbachev, deputy chairman of the State Committee On Prices criticised what he described as "rumours" that pricing reform planned in coming years would raise the cost of most retail goods. Instead, he announced an additional state subsidy to keep down the price of clothing and other consumer goods.

Many Western economists believe Mr Mikhail Gorbachev, the Soviet leader, will have to end the massive state subsidies to consumer industries, especially agriculture, if he genuinely intends to make economic reform succeed. The new price announcement will add another Roubles 100m (£90m) to state subsidies for fabric and household goods, according to Mr Ivan Gorbachev.

Concern over the empty shelves and deteriorating food supplies has reached fever pitch. As shoppers crowd Moscow stores in an often vain search for meat, vodka and fresh vegetables to serve over the holidays, they are complaining the situation has deteriorated to its worst level in recent memory.

Opinion about how to end the shortages is far from unanimous. As the latest announcement on falling prices was made the Government newspaper Izvestiya was calling for a more reform-minded solution.

A frontpage article called "This time, there's no soap" in its Wednesday edition attacked bureaucrats who the paper said had been unable to supply the capital with soap, toothpaste, toilet paper or cleaning detergents.

Instead, Izvestiya proposed that price restrictions on consumer goods be lifted so small-scale capitalists could supply consumers with the goods they need. "Soap makers should be able to seize the opportunity and provide as much soap as is required," the paper argued.

Brezhnev name erased

THE NAME of former Soviet leader Leonid Brezhnev is to be removed from all public buildings, including the houses in which he once lived, Reuter reports from Moscow.

Tass, the Soviet news agency, said the high-level decision, which also applies to one of his successors, Konstantin Chernenko, was published yesterday. It came in response to letters and public appeals to authorities and the press.

It was decided "to drop the names of Leonid Brezhnev and Konstantin Chernenko from all the names of factories, administrative regions, institutions of learning and organisations," Tass said.

Memorial plaques were also to be removed from the two men's former homes.

Tass said both men were linked with the "period of stagnation" preceding Mr Mikhail Gorbachev's programmes of reforms, launched after he took office as Soviet leader in 1985.

Spanish trade deficit grows 52%

By Peter Bruce in Madrid

SPAIN'S November trade deficit was $1.82bn, 52 per cent higher than November last year, the Government said yesterday, confirming predictions that the current account of the balance of payments will move back into deficit this year.

The November figures indicate a late quickening of the growth of the trade deficit, which had been held to an accumulated increase of 40.7 per cent by the end of September because of strong exports earlier in the year.

The Bank of Spain, meanwhile, has warned that the $3.2bn current account deficit expected this year is likely to more than double next year to $7bn, or 2 per cent of gross domestic product.

The central bank also forecast an increase in its broad money supply measure of 8 per cent next year, well down on the 11 per cent limit it has tried to impose this year and a suggestion that it may try to impose even more rigorous measures to control credit to prevent the economy from overheating.

Spain has not had a current account deficit since 1983 but the rate of growth of the economy, particularly a high rate of investment, has sharply increased imports and prices.

The bank said provisional figures suggested GDP had risen 5 per cent this year, though the final increase may be even greater. The Government had projected GDP growth of 4.5 per cent for 1988.

A sharp increase in the price of unprocessed foods had knocked a 3 per cent inflation forecast for 1988 off target and the bank said the underlying rate of inflation had not fallen below 5 per cent. Mr Mariano Rubio, the bank's governor, said price rises would be much more worrying if it could be shown that commercial profit margins were being deliberately widened to compensate for the effects a strong peseta was having on export markets.

The rate of growth of the current account deficit was worrying, he said, and it was important for the country to keep inflation slowing. "The longer it takes to act, the greater the price that will have to be paid in the end."

Mr Rubio seemed to be warning the Government to hold firm in the face of union demands for high wage increases next year following this month's successful general strike in protest at State employment policies.

Earlier this week the unions demanded an increase in minimum wages of some 11 per cent. The Government is optimistically forecasting inflation of 3 per cent again for 1989 even though a recent OECD report projects at least 4.5 per cent.

● Portugal's centre-right Social Democrat government announced yesterday it would raise the country's official minimum monthly wage in trade, industry and service sectors to Esc 30,000 from Esc 27,200.

The increase is equivalent to a 10.3 per cent increase, but minimum wages in agriculture and domestic services will rise by 16.1 per cent to Esc 28,800 and by 14.9 per cent to Esc 22,400 respectively.

The government had initially offered a rise of between 8 and 9 per cent.

W Germany to tighten export control laws

By David Marsh in Bonn

THE WEST German government, under pressure from the US administration and domestic opinion, is planning to toughen export control laws in the wake of a number of widely publicised allegations of illegal transfer abroad of militarily useful technology.

Mr Helmut Haussmann, the Economics Minister, will present to the cabinet on January 10 a series of proposals on increasing penalties for infringements of export control legislation and on tightening enforcement.

The changes, which have been urged in discreet talks over the past year by the US government, will also take into account the need to plug loopholes exposed by a pre-Christmas controversy over suspected sales abroad of sensitive nuclear technology.

Economics Ministry officials said another reason for the proposals was to try to guard against the spread of chemical weapons. West German involvement has recently been suspected in Libyan efforts to build chemical weapons.

The officials said cabinet was keen to bring in legal changes which would be effective rather than simply "for show," so it was impossible to confirm for the moment details of any new measures.

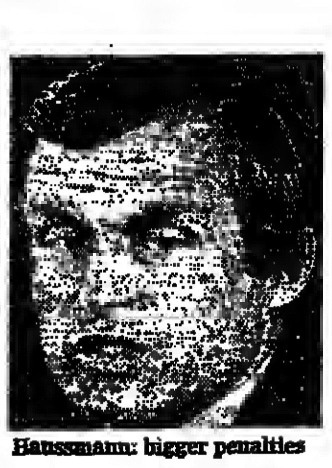
Proposals under consideration involve an increase in maximum jail sentences for contraventions to five years from three years, as well as wider definitions of an offence to make conviction easier.

The suggestions partly reflect Washington's long-standing worries about flows of sensitive know-how to the East bloc. Additionally, the government is under pressure from opposition parties and public opinion to bring fresh curbs on the nuclear sector to guard against proliferation of atomic weapons.

In the latest in a series of nuclear controversies, two companies in Hesse, Neue Technologien GmbH (NTG) and Physikalisch-Technische Beratung (PTB), together with a concern in Baden-Württemberg called Gutekunst, are being investigated by public prosecutors.

They allege that potential bomb-making material has been sold to Pakistan, India and South Africa, three countries which have not signed the non-proliferation treaty and which are suspected of following illicit nuclear weapons programmes.

The Bonn government is also investigating the affair to discover whether and how export controls have been contravened. NTG, which manufactures a range of precision machinery and instruments, has had its licence suspended for handling radioactive materials.



Haussmann: bigger penalties

Four parliamentary committees met in Bonn on December 23 to look into the allegations, and the Pakistani ambassador to West Germany, Mr Mahdi Masud, was summoned to the Foreign Ministry on Tuesday to give an account of the affair. According to a Foreign Ministry spokesman, Mr Masod promised to co-operate with the inquiry, looking into exports to Pakistan going back to 1984 of tritium gas – of potential use in a thermonuclear bomb – and of equipment to separate either tritium or heavy water.

The Economics Ministry is trying to establish exactly what type of equipment was delivered to Pakistan, which has long been suspected by the West of working on a clandestine nuclear bomb to match India's bomb-making capacity.

Nuclear materials along with other technology capable of use for either military or civilian purposes are covered by international lists of proscribed goods drawn up by the 16-nation Paris-based Committee for Co-ordinating Multilateral Export Controls (CoCom).

The Bonn government agrees with the US in theory over the dual need to tighten controls over exports of the most sensitive technologies, while liberalising regulations on remaining transfers.

Mr Allan Wendt, the senior US state department official in charge of technology transfer rules, voiced unusual public concern in October over Bonn's efforts to tone down CoCom regulations.

The US believes Bonn should take steps to strengthen the Federal Economics Office at Eschborn near Frankfurt in charge of processing export control inquiries, which has to cope with 70,000 to 80,000 cases a year. The government has found it cannot offer high enough salaries to attract technically-qualified personnel there, and is still looking for about 10 experts.

Controversy between the US and Bonn over technology transfer flared in autumn 1987 when Washington intervened to stop at the last moment West German export of a sophisticated miniature submarine to North Korea.

The boat, which the US claimed could be used to smuggle spies into South Korea, has been in the meantime bought from the exporting company by the West German government. It is currently berthed in the harbour at Mannheim on the Rhine waiting for another buyer.

The latest nuclear affair has raised the interest of the US government in view of West Germany's long history of involvement in alleged cases of weapons proliferation.

A number of companies have been investigated by the Bonn government and public prosecutors for possible illicit nuclear deals with Pakistan earlier in the 1980s.

The Federal Republic was also accused in the US of helping clandestine nuclear weapons projects in Argentina, Brazil and South Africa during the 1970s.

East and West German nuclear deal attacked

By Leslie Colitt in Berlin

AN UNUSUAL nuclear research agreement between East and West Germany has been sharply criticised by an opposition party in West Berlin for having possible military implications.

Public sensitivity in West Germany to nuclear energy has been heightened by recent disclosures of serious malfunctions in German nuclear power stations which were kept quiet. The agreement involves West Berlin's Hahn-Meitner Institute and East Germany's main nuclear research facility at Rossendorf near Dresden.

The West Berlin institute was named after Otto Hahn, who discovered nuclear fission in Berlin in December 1938, and his assistant, Lise Meitner.

The nuclear research agreement between the institutes is one of the first to be signed under a recent scientific co-operation accord between East and West Germany. Scientists from West Berlin and Rossendorf will begin co-operating next February in the field of heavy ion accelerators.

The West Berlin institute has the second largest accelerator in West Germany, while the Rossendorf installation is Soviet-built. Both include American components. The Alternative List (Green party) in West Berlin claimed that only a "small step" separated the planned research project from military research.

This was "absolute nonsense," according to Mr Thomas Robertson, for the West Berlin institute.

He claimed that the research project was as close to the military as "boot making." Mr Robertson said that while the project involved basic research there were applications in biology and microelectronics.

The Hahn-Meitner Institute has had close contacts with counterparts in the US, Britain and France.

Denmark considers plan to reduce wages by 10%

By Hilary Barnes in Copenhagen

DENMARK'S minority non-Socialist government may call on the trade unions and the employers to agree to a 10 per cent wage cut as part of a shock cure for the country's chronic balance of payments and unemployment problems, the Copenhagen business daily, Boersen, reported yesterday.

The newspaper said the plan to cut wages is one of the ideas the government is considering for presentation to the labour market partners at a tripartite meeting on January 6.

To soften the effect of the reduction in wages, the government will also propose a 2 per cent reduction in the progressive income tax scales. Mr Poul Schlueter, the Prime Minister, declined either to confirm or deny the report.

The report caused bond and share prices to move up sharply yesterday, while the director of the Employers' Association said he was sceptical of such a radical solution.

Denmark's current balance of payments account has been in deficit for 25 consecutive years, leading to a net foreign debt of about Dkr270bn some 40 per cent of Gross Domestic Product. Interest on the debt is costing about Dkr30bn a year, or about 4 per cent of GDP and over 13 per cent of export income.

Tough fiscal measures in 1986 have reduced the deficit this year but at the cost of two years with no increase in production and the prospect of a third year with little growth in 1989.

Unemployment has risen from just under 8 per cent in 1987 to about 8.5 per cent this year and is expected to increase to between 9 and 10 per cent in 1989. Wages this year have risen by about 6.5 per cent and consumer prices by about 4.5 per cent.

Mr Schlueter, who has been Prime Minister since 1982, has repeatedly renounced devaluation as a means to improve competitiveness.

Genscher move on US claim over Libyans

MR Hans-Dietrich Genscher, the West German Foreign Minister, called his Italian counterpart, Mr Giulio Andreotti, this week to discuss US claims that Libya has built a chemical weapons plant, AP reports from Bonn.

"Both ministers expressed great concern over reports that Libya has a chemical weapons plant," Mr Hanns Schumacher, a West German foreign ministry spokesman, said yesterday.

He said that Mr Genscher telephoned Mr Andreotti on Wednesday in Algeria, where the Italian minister was on an official visit.

Italian newspapers said that Mr Genscher was apparently trying to build up European solidarity against a possible US military attack on Libya's plant. But Mr Schumacher said that this did not come up in the conversation.

"There is no common initiative against a US military attack and we have no reports about plans for any such attack," he said.

President Ronald Reagan said last week that Washington was consulting its allies about a possible military strike against the plant.

Libya has repeatedly denied that the plant produces chemical weapons and says it is a factory for making pharmaceuticals.

Mikulic may turn to emergency measures

By Judy Dempsey in Vienna.

YUGOSLAVIA'S Prime Minister, Mr Branko Mikulic, already facing pressure to resign, may be forced to introduce emergency economic measures if he fails to push through two radical reform laws today.

A package of economic reforms, including important enterprise legislation and a foreign investment law both designed to introduce a more market-oriented approach to the economy, were supposed to have been passed by the Federal Assembly this week.

But opposition from several of the republics both to the reforms and to Mr Mikulic's government suggests that a whole package of legislation due to come into effect on January 1 may be postponed.

In effect, this will delay the overhaul of an economy in which inflation is running at 230 per cent a year and whose external debt already exceeds $20bn.

At the root of the problem is what role the federal government should play.

At a central committee plenum last October, it was decided to separate party and state functions with the aim of giving the federal government greater powers and freedom to run the economy.

But observers in Belgrade now suggest that the republics, which in the past retained a wide measure of autonomy on economic matters, will oppose the new reform measures precisely because they will strengthen the hand of the federal government at the expense of interests on the local level.

"Everybody wants economic reforms, but they don't want to lose their own powers nor do they want to give Mikulic and the federal government greater authority," a Yugoslav economist commented.

The acrimonious debates in the Federal Assembly, which ends today, will almost certainly leave Mr Mikulic without a budget for 1989 and without pushing through the reforms.

The federal budget for next year is three times larger than this year's budget, mainly because of inflation.

The republics, in particular Slovenia and Croatia, strongly object to the larger budget on the grounds that the individual republics will have to contribute more to it. Other republics have voiced similar objections, peppered with criticism of Mr Mikulic's apparent inability to stem inflation and halt the decline in living standards.

Observers say this leaves the Prime Minister with two options.

He can introduce a temporary budget, financed through sales taxes. In addition, Mr Mikulic can introduce "intervention" economic measures in order to get the reforms off the ground.

If he can succeed in these measures, Mr Mikulic could resist calls for his resignation, aware that even if he were to resign, few officials would be prepared to take on the task not only of pushing through unpopular measures, but also of resisting the power of the republics.

Canada tightens immigration rules

THE Federal government will speed up its immigration screening process but will not grant an amnesty or relax the rules to clear a backlog of 85,000 people claiming to be refugees, reports Robert Gibbens from Montreal.

It will mean that many thousands of the refugee claimants will be expelled from Canada over the next few years. Unofficial government documents have estimated as many as 28,000 could be expelled.

Ms Barbara McDougall, Minister for Immigration said in Ottawa yesterday that her department will increase staff by 100 and every refugee case will be reviewed individually by an adjudicator and a member of a new Immigration and Refugee Board to determine whether claims are legitimate. Exceptions will be made on humanitarian grounds.

Holland's telecoms agency rings in the New Year changes

Laura Raun explains why European eyes are on the Dutch programme to liberalise its telecommunications market

THE Netherlands' Post-Telegraph-Telephone Agency will ring in the New Year with a bang. On January 1 PTT will become a private company whose shares are held by the state but will probably be floated.

Many eyes are on the Dutch to see how quickly they can transform a government agency with a civil servant mentality into a private enterprise with a keenly competitive attitude. Other European Community members must liberalise their telecommunications markets by 1992 in line with the Single European Act – which only Britain has done so far.

NV PTT, as it will be known, will lose its monopoly over telecommunications equipment and services. It must then compete with private enterprise in Europe's fourth largest telecommunications market – Fl 400-500m (£110-137m) a year – and in an industry that requires huge sums of money for rapid technological developments.

Already lined up by NV PTT are GPT, the British joint venture between General Electric, Plessey and Northern Telecom of Canada. They see the Netherlands as a promising market and a convenient launch pad for penetration of the rest of Europe. Philips, the Dutch electronics giant, is less clear about its intentions.

"We have a new situation where customers by their own free will have to want *us*," explains Mr Wim Dik, who will become chairman of NV PTT on January 1. "If the customer is not pleased then we have to change."

If anyone can transform PTT into a profitable commercial concern it is Mr Dik, a dynamic personality who was headhunted from Unilever, where he ran a Dutch subsidiary of the Anglo-Dutch group. He believes firmly in decentralised power and individual responsibility in sharp contrast to general Dutch-management style, which stresses consensus decision-making and common accountability.

PTT management, aided by legions of consultants, has developed a strategy for converting the state agency into the country's biggest private-sector employer, with a payroll of 95,000: in-house training will emphasise that the "customer is king" and employees will be reminded that it is the customer who pays the bills. Mr Dik warns staff that "if service is below standard they stop paying your salary and I can't pay you any longer."

Profits versus quality poses a fundamental dilemma in any privatisation. Mr Dik says he learned a lesson from the British Telecom privatisation: "I hesitate to say that profits come second but quality is number one, certainly in the initial period," he acknowledges.

The Euromast telecommunications tower in Rotterdam

Telecommunications management will be organised in a matrix of business areas and telephone districts, introducing the concept of dual responsibility to managers accustomed to the pyramidical power structure of a government agency.

Several herculean tasks face Mr Dik. One is to maintain quality so the Netherlands remains competitive in the genuine common market while at the same time lifting profits. He admits the Netherlands is not Europe's leader in telecommunications, though he insists it is among the leaders.

But digitalisation of the telecommunications network is lagging – even telephone calls to PTT headquarters go dead in mid conversation. Introduction of Integrated Services Digital Network, the next generation of infrastructure, has been delayed while France and West Germany forge ahead.

But the Netherlands will provide a home for an ambitious new project that some say could serve as a forerunner of a European post, telegraph and telephone agency. Managed Data Network Services is a joint venture of 22 agencies which will provide one-stop shopping for setting up international communications networks.

Compared with many agencies the Dutch PTT is enviably efficient. It already is in the black with net income of Fl 2.15bn on total revenues of Fl 10.27bn in 1987.

Telecommunications posted operating profits of Fl 1.24bn on turnover of Fl 6.56bn but the flabbier post reported profits of Fl 130m on revenue of Fl 3.69bn.

Mr Dik expects net income and turnover to rise gradually this year and next and eventually hopes for a net margin of 8-10 per cent, out of which he must cover soaring investment expenditures and pay the Government a dividend of Fl 1.5bn a year.

Under the new structure, operations will be divided into post and telecommunications. Post will keep its monopoly on delivery of letters smaller than 500 grammes.

Telecommunications will keep its monopoly on the network infrastructure, laying and maintaining lines. Only if PTT is unwilling or unable to provide lines can the private sector step in – a hazy area that could lead to conflict.

NV PTT will lose PTT's monopoly on equipment and services such as telephones, telefax and PABXs. No cross-subsidisation will be allowed between the monopoly and non-monopoly functions.

Mr Dik is playing hardball with PTT's equipment suppliers, who are planning to start selling on their own account next year. He has told Ericsson of Sweden and Geveke Electronics of the Netherlands that they may be struck from the supply list if they sell the same products to customers themselves.

"It is a question of what's more profitable – supplying or competing," he explains crisply.

Capital investments will jump around 25 per cent to Fl 3.25bn in 1989, forcing PTT to tap the capital markets as early as January. The balance sheet sports a healthy debt-to-equity ratio of 60:40 and Amsterdam bankers say such paper would be attractive at home and abroad.

Two other crucial tasks are cutting costs and cultivating marketing know-how. Raising revenue will be hindered by the state's sharp eyes on telecommunications tariffs. So Mr Dik intends to pare expenses by shrinking central staff, further automating post services and saving on maintenance costs when digitalisation of the network is completed.

Marketing was never a worry when PTT had a captive audience. In the past it spent most of its resources on developing technologically sound products but now it must sell them as well.

Mr Dik is keen to take NV PTT public but needs at least three years to prepare the concern for bourse flotation. It will take even longer than that to truly change the culture, he concedes.

"That will take at least seven years and hopefully before I retire," reckons the 49-year-old Mr Dik. That will be in 1999.

Argentina's power supply worsens

MR Pablo Carvelli, president of Argentina's state-owned electricity company, SEGBA, has warned that the country is on the brink of a total black-out, reports Janette Stauhus in Buenos Aires. His statement follows the shut-down of the Embalse nuclear power station. According to official statistics, the power supply is now operating at 80 per cent below normal capacity.

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Khartoum backs down over price increases

By Michael Holman

THE Sudanese government, facing its most serious challenge since taking office in 1986, yesterday revoked price increases of basic commodities which had prompted a country-wide strike and a third day of demonstrations on the streets of Khartoum.

In a despatch from the Sudanese capital, Egypt's state-owned Middle East News Agency reported that police had opened fire on demonstrators who refused to disperse, but there was no word on possible casualties.

The government decision to back down was taken at an emergency cabinet session called as the strike paralysed the country's main cities, cut most lines of communications and forced Khartoum international airport to close.

The unrest, triggered by the decision on Monday to raise the price of basic commodities including a 500 per cent increase in the cost of sugar, led to the resignation on Wednesday of members of the Democratic Unionist Party from the coalition government of Prime Minister Sadeq al-Mahdi.

The DUP has been the prime mover in efforts to initiate peace talks with the Sudan People's Liberation Army, which has been fighting for the autonomy of southern Sudan for the past five years.

Demonstrators yesterday were reported to be calling on Mr al-Mahdi to press ahead with a tentative peace plan negotiated by the DUP with the rebels, and which was due to have been followed up by an all-party conference in Addis Ababa.

The Sudanese parliament stopped short of a full endorsement of the plan, with a third member of the coalition, the National Islamic Front, resisting rebel demands that the government postpone moves to reintroduce a fundamentalist version of Islamic sharia law. This is opposed by the largely Christian and animist south.

Mr al-Mahdi, leader of the Umma Party, now faces what appears to be an intractable combination of political and economic problems.

Attempts to resolve the country's economic crisis depend on an end to the war, for much of Sudan's considerable agricultural potential, as well as substantial oil reserves, lie in the south.

Pretoria widens ban on groups

THE South African government yesterday banned four anti-apartheid organisations, bringing to almost 30 the number proscribed since February, writes Jim Jones in Johannesburg.

In February 17 opposition groups were banned, leading to a local and foreign outcry. Since then criticism has been muted as the Government has gradually picked off opposition groups. In Pretoria the Ministry of Law and Order said one group banned yesterday, the National Detainees' Forum, had been founded to perpetuate the Detainees' Parents' Support Committee which was banned in February.

Israeli economy tells a sorry tale of mass lay-offs

Andrew Whitley reports on the challenges facing Shimon Peres, the new Finance Minister

ON Tuesday, just a few days after taking office, Mr Shimon Peres, Israel's new Finance Minister, rushed into a devaluation of the shekel which many judge to be premature and ill thought-out.

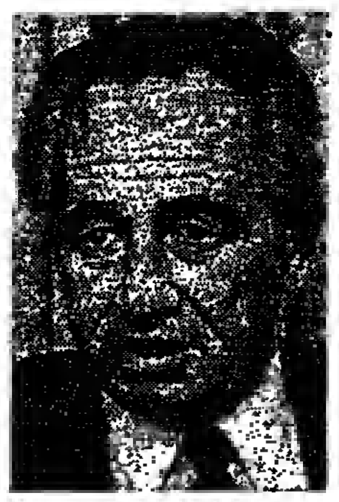
The new government of national unity, led by Mr Yitzhak Shamir, was forced into the move by a recent run on Israel's foreign exchange reserves, which may now be below their level in the crisis year of 1985. At 5 per cent the devaluation was too small to be of significant help to industry, merely fuelling the appetite for more to come in the New Year. It is also likely to add another notch or two to inflation, now rising again at monthly rates averaging 1.5 to 2 per cent. But the devaluation, and reactions to it, did give Israelis the clearest possible reminder of the serious economic challenges facing the Government.

Throughout the economy, the story is the same: industry and agriculture are in deep trouble, and their problems are casting a cloud over the banking sector. According to newspaper surveys, well over 3,000 Israeli companies have been in liquidity difficulties this month – 10 times greater than the number recorded four years ago, before the launch of the last Government's much-applauded economic stabilisation plan.

From the well publicised woes of the largest company, Koor Industries, to the travails of small enterprises in neglected development towns, the unending tale is one of factory closures and mass lay-offs. The small Tel Aviv Stock Exchange, not surprisingly, is comatose.

In agriculture, the $4bn (£2.2bn) of debt to local banks accumulated by the kibbutzim and moshavim, the rural collectives and co-operatives responsible for 90 per cent of the Jewish state's farm output, threatens to precipitate a crisis if the Government fails to find adequate measures to tackle the problem.

For Mr Peres, the Labour leader often described as one of the few Israeli politicians to show a genuine interest in economic affairs, being Finance Minister will be his second encounter with the country's economic problems. As Prime Minister, it was he – together with Mr Yitzhak Moda'i, then Finance Minister, and Prof Michael Bruno, now governor of the Bank of Israel – who was primarily responsible for the dramatic turnaround of 1985. The first stage of the July 1985 plan – widely admired in Latin America – tamed hyperinflation, previously running at annual levels of more than 400 per cent, and brought welcome stability to the shekel.



Peres: run on reserves

What was never tackled with any resolution was the much tougher second stage, intended to overhaul the entire structure of the state-dominated economy and bring Israel into line with changes under way elsewhere in the Western world. When Mr Shamir replaced Mr Peres at the head of the government in November 1986, his aim and that of Mr Moshe Nissim, his Finance Minister, was to do as little as possible to disturb the economic recovery which, in 1987, produced one of the best years for the Israeli economy since the early 1970s.

If that recovery has now been stopped in its tracks, it is in large part as a result of the year-old Palestinian uprising in the occupied territories. The consumer spending-led boom of the previous year was already beginning to fade when the intifada erupted, but Western diplomats estimate that the uprising knocked one to 1.5 per cent off the gross national product during 1988. Very high interest rates and a profits squeeze brought about by a combination of the frozen exchange rate and resurgent inflation did the rest of the damage. The Central Bureau of Statistics reported yesterday that gross domestic product increased by only 1 per cent this year, compared with 5 per cent in 1987. Industry, construction and agriculture were the main casualties.

Just as worrying, industrial investment registered a 20 per cent decline in 1988, while private savings remain low for an economy still in the throes of development.

Mr Peres's main priority is to boost growth, which will not be at all easy. But he recognises that Israel is also badly in need of far-reaching structural reforms. In making his unexpected devaluation at this time, Mr Peres was trying to buy time to prepare such measures.

A thick pile of reports has been accumulating in the Finance Ministry, covering topics ranging from the tax system, the public sector wage structure, the domestic capital market and Israel's ailing health system.

In view of the present troubles of the corporate sector, one thing seems inevitable: a further surge in unemployment. At just over 7 per cent, the jobless rate is still low by West European standards, but it is nevertheless keenly felt by Israelis, who view them as a disincentive to attracting immigrants.

A decisive argument which persuaded Mr Peres to abandon the Foreign Ministry in favour of the Treasury was the necessity of having a Labour politician in charge of overseeing the rescue efforts which both the kibbutzim and Hevrat Ha'Ovdim – the trade unions' holding company which owns Koor Industries – will require over the next year. Together, these organisations form the pillars of the Labour party, in terms of membership and finance.

In theory committed, like the Likud, to reducing the Government's role in the economy, in practice Mr Peres is likely to find that the corporate bail-outs in prospect will give him little room for manoeuvre. A write-off of kibbutz debt, for instance, will have to be underwritten by the Treasury.

The new Finance Minister has already warned that he intends to reduce public spending next year by at least shekels 1bn (£345m), trimming remaining subsidies and making other unspecified cuts. But, as Mr Amos Rubin, the Prime Minister's economic adviser, points out, it is hard to see where significant savings can be made without dealing with the defence burden or attacking health and education services, all sacred cows.

What may well accelerate the process of change already under way within parts of Israeli industry is the liberalisation of trade barriers at the behest of Israel's most important trading partners, the European Community and the US. On January 1, all import duties on industrial goods from the EC will be abolished, in theory laying Israel open to full competition from much more powerful West European companies.

To what extent European industry may itself wish to take advantage of the new opportunities is a moot point. The Israeli market is a small, problematic one, riddled with bureaucracy. But even a modest breath of wind blowing through Israel from Europe could do a power of good.

Palestinian activist backs elections in occupied territories

FAISAL HUSSEINI, a leading West Bank Palestinian activist serving a third term of administrative detention, has come out in support of elections in the occupied territories as a way of easing Israel into negotiations with the Palestine Liberation Organisation, writes Eric Silver in Jerusalem.

He was talking to Yair Tsaban, left-wing Mapam MP, who visited him on Wednesday in Kfar Yona prison. Mr Tsaban spent more than an hour with Mr Husseini, who has a room to himself and is free to read newspapers and make telephone calls.

The idea of elections to choose a credible Palestinian delegation to negotiate an interim peace agreement was first floated by Mr Shimon Peres, the Israeli Labour leader. Mr Husseini welcomed it as a promising approach, so long as it was not a device for sidestepping the PLO and so long as it was not tied to Palestinian autonomy of the kind advocated by Mr Yitzhak Shamir, the right-wing Likud Prime Minister.

Mr Tsaban found Mr Husseini, whom the Israelis accuse of orchestrating the 12-month-old Palestinian *intifada*, or uprising, eager to find a way out of the cycle of violence and counter-violence. "If Israel permits democratic and free elections," Mr Husseini was quoted as saying, "without conditions and without linkage to the antonomy scheme, it can be assumed that most residents of the occupied territories will participate and elect their representatives for a political dialogue with Israel."

Mr Husseini assumed that these representatives would be PLO supporters, since the organisation commands the overwhelming allegiance of the 1.5m occupied Palestinians. "They would insist that the PLO be brought into the talks. Some, less radical, Palestinian figures have recently suggested that Israel and the *intifada* leaders should declare a ceasefire. Mr Husseini did not go so far, but he agreed that any scaling down of the confrontation would have to be evenly balanced.

"The question cannot be posed to one side only," he told Mr Tsaban. "If the Israeli authorities will enable the Palestinians to express their national aspirations through non-violent channels, I am sure that the *intifada* activists will be pushed less and less to use violence. But if the Israelis do not allow that, nobody can control what is going on."

Mr Husseini accused the army of frequently initiating violence in raids on Arab villages, and argued that such Israeli behaviour would have to cease.

A 12-month truce was proposed before Christmas by Mr Elias Freij, the mayor of Bethlehem.

● Israeli troops have shot dead three infiltrators from Egypt and are searching for a fourth man who escaped, the army said yesterday, Reuter reports from Jerusalem.

Garcia's isolation grows ahead of meeting

By Veronica Baruffati in Lima

THE ISOLATION of President Alan Garcia of Peru was highlighted yesterday as his political rivals met for nine hours before a key council of ministers' meeting last night.

Mr Carlos Rivas Davila, the minister of economy, was said to have unveiled his economic programme to the meeting of MPs belonging to the ruling American Popular Revolutionary Alliance (APRA). The plan will be broadcast to the nation before the weekend. In the past, President Garcia has always had the last word in economic matters.

Mr Luis Alberto Sanchez, the nation's vice-president and APRA president, and Mr Luis Alva Castro, the recently-elected party secretary-general presided over the meeting.

The meetings recommendations were presented to and discussed with President Garcia late last night at the weekly council of ministers' meeting.

Discussions are expected to include the possibility of a cabinet reshuffle and tbe announcement of a time for the minister of economy's message. It is also said to include proposals for a moves towards reconciliation with the international financial community.

Mr Jose Barba, APRA congressman, who received most votes at the recent APRA congress, to form part of the party's political committee, said: "If the president does not heed congress's decision then I propose that the party take distance from Alan Garcia . . . The party will have to let him go his own way . . . Alan Garcia's destiny is not that of the APRA party."

As President Garcia becomes increasingly isolated, the military is waiting to see who is holding the reins before announcing the tradional end-of-year promotions.

There are increasing sentiments that if Mr Luis Alva Castro is planing to be the APRA presidential candidate in 1990, then he should assert his independence from the president in the little time left, especially with regard to the economy.

Mr Romualdo Biaggi the president of the Senate, said after the nine hour meeting: "We are making a detailed analysis of the present situation and drawing up future policies to be adopted by the government party in co-ordination with the president of the republic, APRA MPs and the political committee in an attempt to reach solutions which will raise the country's hopes and balance the economy in the first quarter of 1989."

As the year ends, milk and flour are still in short supply. The Government slipped in price increases for bread, rice, flour and pasta over the Christmas weekend, compensating for this with a monthly bonus for workers in the private and public sectors.

Libya envoy says ties with US may improve

RELATIONS between Libya and the United States might improve in the "very near future" with a new administration under Mr George Bush, the president elect, according to Mr Abdelati Laabidi, the Libyan ambassador to Tunis.

In an interview with a Tunisian weekly, he said that Libya was "ready for any dialogue

He said that the possibility was not there under the Reagan administration, but "taking into account the changes in January when Mr Bush is sworn into office, relations between Libya and America might make a slight improvement."

Protestors in Nanjing 'to be punished'

CHINESE officials said yesterday that they would probably punish at least seven African students for allegedly beating Chinese workers, students and teachers in a Christmas Eve brawl that set off days of anti-black demonstrations, AP reports from Nanjing.

They said no Chinese students would be punished for participating in the clash and subsequent demonstrations, or for sacking the rooms

About 140 Africans students remained in isolation at a guest house outside the city.

Yang said the seven "suspects" also were at the guest house.

Moscow clamps down on private co-operatives

SOVIET authorities have banned the country's mushrooming private businesses from trading in a wide range of goods and services – including selling video films, producing alcohol, and treating venereal disease, Renter reports from Moscow.

The restrictions, ordered by the Council of Ministers and published by the official Tass news agency yesterday, were announced unexpectedly without any public discussion.

The announcement said co-operatives could engage only in some activities, such as publishing, making jewellery and giving certain types of medical assistance if they had contracts to do so with state enterprises. Tass said that city councils had until February 1 to bring local co-operatives in line with the decree.

Political analysts said the restrictions seemed certain to stifle some small private businesses, first permitted two years ago as part of economic reforma launched by Soviet leader Mikhail Gorbachev.

There are now tens of thousands of them and they provide goods and services that would otherwise be in very short supply in the state-run economy.

For example, in Moscow one co-operative offers medical advice, another has opened a kindergarten with special reading courses.

The new order bans co-operatives from a whole range of lucrative activities such as selling jewellery; selling, renting, copying or showing video films; producing alcohol and bnying and selling goods belonging to foreigners.

Also banned are organising private schools, manufacturing drugs, weapons and explosives, establishing pawn shops, casinos and lotteries, and producing items with religious symbols or church candles.

The ban also includes giving medical treatment for pregnancy, cancer and venereal disease. Tass said that small businesses would no longer be allowed to trade in foreign currency in cash. This appeared to suggest that any foreign currency dealings would require bank transfer forms, credit cards, cheques or other paperwork.

De Mel hits at unlawful payment allegations

By Robin Pauley, Asia Editor

MR Ronnie de Mel, Sri Lanka's former finance minister, yesterday angrily denied allegations of unlawful payments from British companies.

The Sri Lankan Government has set up a commission to investigate the alleged payments and also to probe companies in which Mr de Mel or his family members have financial interests.

Speaking from Bangalore in India where he is on holiday Mr de Mel said: "I totally deny the allegations which my political enemies have fabricated against me. I have not received any unlawful payments from any firm or bank at any time. Neither have I nor any member of my family unlawfully benefited in any way from decisions of mine while I was minister of finance.

"This is only an attempt by my political enemies to sling mud at me and silence me in the campaign against the massive corruption of certain leaders of this government which I am spearheading in Sri Lanka.

"After my holiday I will go back to Sri Lanka for the coming parliamentary elections."

Mr de Mel was finance minister for 10 years before quitting the ruling United National party in January. He later joined Mrs Sirimavo Bandaranaike's Sri Lanka Freedom Party which narrowly lost this month's presidential election and which is contesting the result.

Mr Lalith Athulathmudali, the National Security Minister, said Mr de Mel left the country on a diplomatic passport hours after Mrs Bandaranaike lost the election.

Mr de Mel said last night that he had left quite normally for a holiday and intended to return to Sri Lanka in the new year. He would be home well before the start of the parliamentary election campaign which begins on January 15. The poll is on February 15.

The allegations involve a British company involved in building a dam in Sri Lanka and another connected with a currency printing plant.

The investigation will also consider allegations that Mr de Mel received payments from foreign banks wishing to open offices or continue doing business in Sri Lanka and that Mr de Mel had tried to influence the award of government contracts. It is not clear whether the allegations have originated from inside or outside the Government.

War games overshadow Korea talks

By Maggie Ford in Panmunjom, Korea

AN ANNUAL military exercise involving more than 100,000 US and South Korean troops in war games has emerged as a barrier to talks between North and South Korea.

The exercise, code-named Team Spirit, is held every spring in South Korea in the face of strong protest from Pyongyang, which regards it as dangerous and provocative. The US and South Korea call the exercise a deterrent to war.

At talks on the border yesterday between parliamentary delegations, the North Koreans urged Seoul to call off next year's exercise, which will coincide with aeveral planned meetings between the two sides.

Mr Chun Geum Chul, leader of the northern delegation, said that Pyongyang had been forced to call off a previous round of contacts in 1986 because the exercisa had increased tension. He boped that by raising the matter now a repetition could be avoided. The north's action put pressure on both South Korea's President Rob Tae Woo and Washington to show their commitment to peaceful change on the peninsula.

General Louis Menetrey, commander of the combined US and South Korean forces, said earlier this year that the 1989 Team Spirit exercise might be reduced in size due to budget constraints. Rising anti-Americanism has led the US military to take steps to reduce its high profile, especially in Seoul.

The leader of the southern delegation, Mr Chae Mun Shik, said the delegation could not discuss military exercises in principle.

Pyongyang has launched several proposals in the past month, including a plan to field a joint team at the 1990 Peking Asian Games, an invitation to southern students to attend its world youth festival in July and a proposal for high-level political and military talks. The south has suggested that the two countries' prime ministers meet in February.

Morocco celebrates successes in budget management

By Francis Ghilès in Casablanca

AN INCREASE of about one-fifth in tax receipts and the continuing decline in the ratio of budget deficit to Gross Domestic Product are two outstanding features of the management of the Moroccan economy and budget this year. A target ratio of 4-5 per cent had been set for 1988 by the International Monetary Fund which has been closely monitoring the Kingdom's economy since 1980. This year's achievement of 5 per cent looks reasonable.

Next year's IMF target of 3.5 per cent looks at first glance rather ambitious although much depends on this winter's rainfall and the value of next year's crop as much as on stricter management. It is also worth pointing out that GDP growth ratios for the past eight years have been recently revised upwards as the authorities try to take account of the output in the parallel economy. The result has been to push up the value of output by an average of 15 per cent every year and thus reduce the ratio of budget deficit to GDP. As it is, GDP this year will grow by an estimated 6 per cent which is roughly twice as much as the rate of growth of the population.

Tax receipts are rising because VAT and a lower corporate tax, both of which were implemented last year are now bringing in more money. Tax receipts are forecast next year to rise by 14 per cent to Dirham 58.3bn (£3.9bn) whereas expenditure by central government will rise by 7.2 per cent to Dh 62.1bn. Most of this increase will go towards current expenditure which will rise by 14.7 per cent to Dh 28.8bn, reflecting an increased wage bill and the creation of 14,000 jobs, mostly in education.

However many ministries will see their expenditure slashed – education by 30 per cent, health by 21 per cent and housing by 66 per cent. These cuts will not necessarily reflect cuts in real terms as next year, for the first time 30 per cent of VAT receipts will be turned over to local councils which, it is hoped will spend them for the same purposes.

Capital expenditure by central government will decline by 13.2 per cent to Dh 13.9bn. Figures for capital expenditure written into the Moroccan budget are however traditionally very optimistic and thus provide a poor guide to how much will be spent.

The cost of servicing the state debt both axternal and domestic will increase by 15.3 per cent to Dh 20bn while the level of domestic state arrears appears to be continuing on its downward trend. It now officially stands at Dh 2bn but in reality the figure is probably somawhat higher. Meanwhile state borrowing this year declined by 2.4 per cent to Dh 17.8bn but this fall is more apparent than real as the Government has put much pressure both on individuals and companies to help finance the Hassan II Mosque in Casablanca, which is due for completion on tha sovereign's 60th birthday next July. Finance thus raised is worth Dh 3bn this year alone.

Morocco's external acconnt has meanwhile improved this year. The trade deficit for the first nine months of this year has been cut back by Dh 800m to Dh 8bn as exports both of manufactured goods, fertilisers and phosphoric acid have surged ahead. Receipts from tourism are expected to improve by one fifth compared with last year while remittances from Moroccan workers abroad will probably be unchanged compared with 1987 when they reached $1.7bn.

● The World Bank has recently approved a $200bn loan to help with the Structural Adjustment Programme the Bank has with Morocco. The money will support measures aimed at reducing import procedures and encouraging exports. The African Development Bank is expected to provide a further loan with the same aim as the recent one from the World Bank.

Japanese minister shrugs off 'quit' call

JAPANESE Justice Minister Mr Takashi Haaegawa yesterday ruled out resigning, despite opposition calls for him to step down, Agencies report from Tokyo.

Mr Hasegawa, appointed on Tuesday to root out political corruption, admitted he received political contributions from a company at the centre of the Recruit Cosmos share scandal.

"Receiving contributions from Recruit Company was careless and I reflect on what happened," he said.

"(However) I will continue to carry out my duties as justice minister rigorously," he added.

"The fact that my political group received contributions from Recruit should not cause any problems in carrying out my duties."

Prime Minister Noboru Takeshita yesterday said Mr Hasegawa would stay in office, even though he "lacked prudence" in receiving donations from a company being probed in a major political scandal.

Mr Takeshita also instructed Chief Cabinet Secretary Mr Keizo Obuchi to look into the history of other new Cabinet members' ties with Recruit Company, an information and publishing concern.

Mr Takeshita told reporters that he did not think the minister knew about the contributions until Wednesday, a claim Mr Hasegawa repeated at his news conference.

Mr Hasegawa's personal political organisation received contributions from Recruit of 40,000 yen (£178) a month since 1976.

After taking office in a cabinet reshuffle, Mr Hasegawa told reporters he had "nothing whatever to do with Recruit. That is why I am here with you now."

The company's snbsidiary Recruit Cosmos offered cheap shares to prominent politicians before public issue. The share prices later rocketed.

Disclosure of the share scandal led to the resignation earlier this month of finance minister Mr Kiichi Miyazawa and the chairman of Nippon Telegraph and Telephone.

Critics say the share sales were in effect contribntions made to gain political influence and business advantages.

Opposition party leaders said Mr Takeshita should take responsibility for appointing Mr Hasegawa in Tuesday's Cabinet reshuffle without checking whether he had ties with Recruit.

"Appointing a person related to the Recruit scandal as justice minister, who is in charge of investigation into the scandal, is out of the question. It is not something they can get away by saying they did not know," said Mitsuhiro Kaneko, bead of the Japan Communist Party's secretariat.

India and China to explore technology exchange

By K.K.Sharma in New Delhi

THE recent visit by Mr Rajiv Gandhi, India's Prime Minister, to Peking, the first by a senior Indian leader to China for 34 years, has led to an agreement to improve bilateral relations. Priority is to be given to boosting trade between the countries, which is at present minimal.

A ministerial committee formed to look into improving relations is expected to meet soon to consider which goods the two countries can exchange and the technology they can offer each other for their modernisation plans. If the talks proceed on expected lines, the turnover for two-way trade could increase to $200m (£111m) next year although this is still insignificant.

It will be a considerable improvement over the $120m recorded last year and should pave the way for a substantial expansion. Identification of items that China and India can offer each other has started but officials recognise that much will depend on the progress made in improving their political relations.

An agreement for giving each country most favoured nation treatment is expected to be worked out within a year and this should help considerably in boosting bilateral trade. This will be added to by strengthening the India-China Business Council which has met three times in recent years without any result. Indian officials hope to be able to export substantial quantities of engineering goods, especially textile machinery for China's growing garments industry.

Another item with good potential is petrocbemicals products since China expressed interest in the Patalganga complex in the western Indian state of Maharashtra. China is also anxious to establish joint ventures with India on the pattern of such investments made with Soviet companies in the last couple of years. As a first step, the hotel industry, computer softwear and engineering goods have been identified for purposes of launching the joint ventures.

During talks between Mr Dinesh Singh, India's Commerce Minister, and his Chinese counterpart in Peking, the question of imports of Chinese raw silk was taken up and the Indians were assured that supplies would not be held up as in the past.

UK NEWS

Growth in money supply fuels speculation over further rise in rates

NatWest leads rise in mortgages

By Richard Waters and Simon Holberton

MORTGAGE rates started moving higher yesterday, signalling a wave of rises following the climb in base rates to 13 per cent in the autumn.

Yesterday also brought further support to speculation that base rates may have to rise again, implying even higher mortgage rates. The Bank of England released its last weekly banking return for December which indicated that the growth in money supply accelerated slightly this month. It gave support to reports from retailers over the past week that consumer spending has remained strong.

The rises were announced by National Westminster bank and the savings institution, Woolwich Building Society, and were the first by any major lender since October 1.

Other leading banks and societies have said they will increase their rates but have been waiting for a lead from Halifax, Britain's largest building society. Several also said yesterday that they would prefer to wait longer to see whether interest rates rose again.

NatWest, with the second-largest mortgage book of any bank at £6.3bn, said its rate would rise a full percentage point to 13.75 per cent.

Woolwich, the fourth largest society with £7.6bn of mortgages at the end of last year, said its rate would rise by ¾ percentage point to 13.5 per cent.

The increases will add about £16 a month to the cost of a £13,000 loan.

The latest increases mean the highest mortgage rates since April 1985, when they stood at 14 per cent.

Other lenders yesterday said they hoped to keep their rises below 1 point, with the 13.5 per cent of the Woolwich being the favoured rate. One factor restricting the increase is the slowdown in the house market, which is creating far greater competition among lenders for new business.

Mr Jim Birrell, chief executive of the Halifax, said in a statement yesterday: "The Halifax will announce its rates after the new year break, most probably effective from February 1 1989, but we expect our rates to be more competitive than the banks."

The Halifax's rate is expected to be "nearer 13.5 than 13.75," the society said. Other building societies are expected to settle at around this level, with banks opting for slightly higher rates.

However, more reliable comparisons are produced by APR (annualised percentage rate) figures, which take into account such factors as the timing of capital repayments and solicitors' and surveyors' fees. These figures, which indicate the "real" cost of mortgages, reveal that NatWest and Woolwich will have the same APR from January 1, even though their nominal interest rates differ.

Concern about a fresh rise in base rates followed expection among some economists that the growth in M0, the narrow measure of money supply, would moderate under the dampening effects of higher interest rates. A slower growth in money supply would lead to a slower growth in spending.

However, the banking return, which gives a weekly snapshot of notes in circulation equal to about 85 per cent of M0, suggests that money supply grew by more than 8 per cent in December compared with a year ago. In November, M0 was 7.9 per cent higher than in same month for 1987.

The continued buoyant growth in M0 contrasts with recent official pronouncements on the economy. Two weeks ago, Mr Nigel Lawson, Chancellor of the Exchequer, said all the signs were that the economy was slowing just as he hoped it would.

Rates earlier this year fell as low as 9.8 per cent but have since been forced up by a series of nine base rate increases.

CURRENT MORTGAGE RATES

	Interest rate (%)	APR§ (%)
Halifax	12.75	13.8
Abbey National	12.75	13.8
Nationwide Anglia	12.75	13.8
Woolwich*	13.5	14.5
Barclays	13.0	13.7
NatWest*	13.75	14.8
Lloyds	12.8	13.7
Midland	13.2	14.0
TSB	14.2	15.3

*From January 1. §Repayment mortgages only. Methods of calculating APRs may differ slightly

Britain lags behind on workers' rights and conditions

By Jimmy Burns, Labour Staff

BRITAIN is behind its European counterparts in the provision of basic workers' rights and workplace conditions, according to a survey* published today by the trade unions' Labour Research Department.

The survey examines legislation and conditions in Britain, West Germany, Spain, France and Italy which together account for 83 per cent of the EC's total population and 85 per cent of the workforce.

It notes, for example, that whereas works' councils or trade union committees are common in companies throughout north and south Europe, in Britain there is no automatic right to representation in the workplace.

Britain also stands alone among the countries surveyed in having no general legal limits on hours worked and in having no statutory entitlement to paid holidays.

LRD states: "In terms of holidays, the position of UK workers is substantially worse than those of other countries and in the area of hours it is no better."

The TUC and its allies within the European Trade Union Confederation are pressing for a "social dimension" to the creation of a European single market in 1992.

But Mrs Margaret Thatcher, the UK Prime Minister, is publicly opposed to a formalised Community-wide structure of workers' rights, which she believes would conspire against workplace flexibility.

LRD notes that for British unions a "key concern" is increasing prices.

LRD adds that for UK employers the main concern, apart from resisting this pay pressure, is a further shift towards locally based bargaining, linking pay to individual as well as plant performance.

** Bargaining Report, December 1988, Labour Research Department, 78 Blackfriars Road, London SE1 8HF. (By subscription)*

Fowler launches ET ad campaign

By Charles Leadbeater, Labour Editor

THE GOVERNMENT yesterday launched a £4m advertising campaign aimed at encouraging large companies to become involved in Employment Training – the Department of Employment's £1.5bn programme for the adult long-term unemployed.

The poster and TV campaign, which will run for three months, will highlight a set of eight large companies which have decided to offer work experience placements to trainees on the programme.

Mr Norman Fowler, Employment Secretary, said the companies had given the programme a ringing endorsement.

The companies involved are the IBM computer group, Wimpey and John Laing, the construction companies, Sainsbury, Comet and W H Smith, the retailers, Pilkington, the glass manufacturer, Ferranti International, the electronics group, and Imperial Chemical Industries.

In addition, the Department of Employment's Training Agency, which runs the programme, plans to contact 2,700 companies which employ more than 1,000 people to explore ways in which they may become involved in ET.

Mr Fowler said he was confident that a meeting in two weeks' time between Training Agency officials and Sir Robert McAlpine, the construction company head, would lead to the company expanding its involvement in the scheme.

The company's directors recently decided not to participate in new schemes because not enough trainees were coming forward. It said this was because trainees were not paid according to prevailing wage rates, but an allowance worth about £11 a week more than social security benefits.

Employment Training aims to offer an average of six months' training to about 600,000 adult unemployed people a year.

Mr Fowler said about 106,000 people had joined the programme since its launch.

Only 18 of the 146 placements IBM is offering have been filled, 22 of Wimpey's 666 placements have been filled, 35 of ICI's 121 places and 778 of John Laing's 2,338 places.

W H Smith is offering about 200 places, Pilkington 300, Comet 354 and Sainsbury 220 places.

British Rail set to impose pay deal

By Jimmy Burns

BRITISH Rail has told leaders of the National Union of Railwaymen that it intends to impose a recently announced package of pay-related measures on January 9 without waiting for union approval.

The move emphasises BR management's new "business-style" approach to industrial relations as it attempts to bring about changes to its workplace organisation.

BR said last night: "It's our intention to implement (the package) on that date. It's not a matter that we are discussing with trade unions in a negotiable sense."

It may usher in a period of growing tension between management and the NUR in the coming months, however, as union officials attempt to regain control on issues relating to pay and conditions.

The measures which BR intends to push ahead include additional regional allowances, travel discounts, and performance-related bonuses in the south-east.

BR says the measures are part of a "necessary campaign to maintain and improve quality of service to the customer." But there now appears to be little hope it will secure union backing.

The NUR, the largest rail union, has told BR it considers the proposals "totally inadequate and unacceptable" in tackling the wider problem of staff recruitment and retention.

The NUR's main criticism is that the package "undermines the concept that shift working is a national phenomena which is rewarded equally, irrespective of geographical location."

The union claims that the staffing problems will be only be solved if BR agrees to a "realistic basic rate of pay" and a reduction in overtime working.

Bank of England releases modified sterling index

By Ralph Atkins, Economics Staff

AN UPDATED version of the Bank of England's sterling index, which shows the value of the pound compared with a basket of currencies, is to be launched by the Bank today.

The index is based on more recent information about trade flows between the UK and other countries which has been used to alter the weight given to different currencies when calculating the index.

It will be published alongside the existing version until Tuesday after which only the new index will be released.

The present index is based on the direction and size of trade flows in 1977. The updated version uses flows of manufactured goods in 1980.

The most significant changes include a fall in the weight given to the US dollar, from 24.6 per cent to 20.4 per cent. The weight given to European Community currencies has risen from 47.5 per cent to 55.6 per cent. Australia will no longer be included.

The Bank said the effect of the change in weights would reduce the index by about 2 percentage points.

Lex, Page 12

Drive for extra staff expected in new year

MORE than a quarter of employers expect to be recruiting staff during the next three months, according to a survey published yesterday by Manpower, the recruitment agency.

Out of 1,460 companies, 27 per cent are likely to take on workers in the first quarter of 1988. This compares with 26 per cent in the same period of this year.

● *The Manpower Survey of Employment Prospects, available from Manpower plc, Manpower House, 270-272 High Street, Slough, Berks. SL1 1LJ.*

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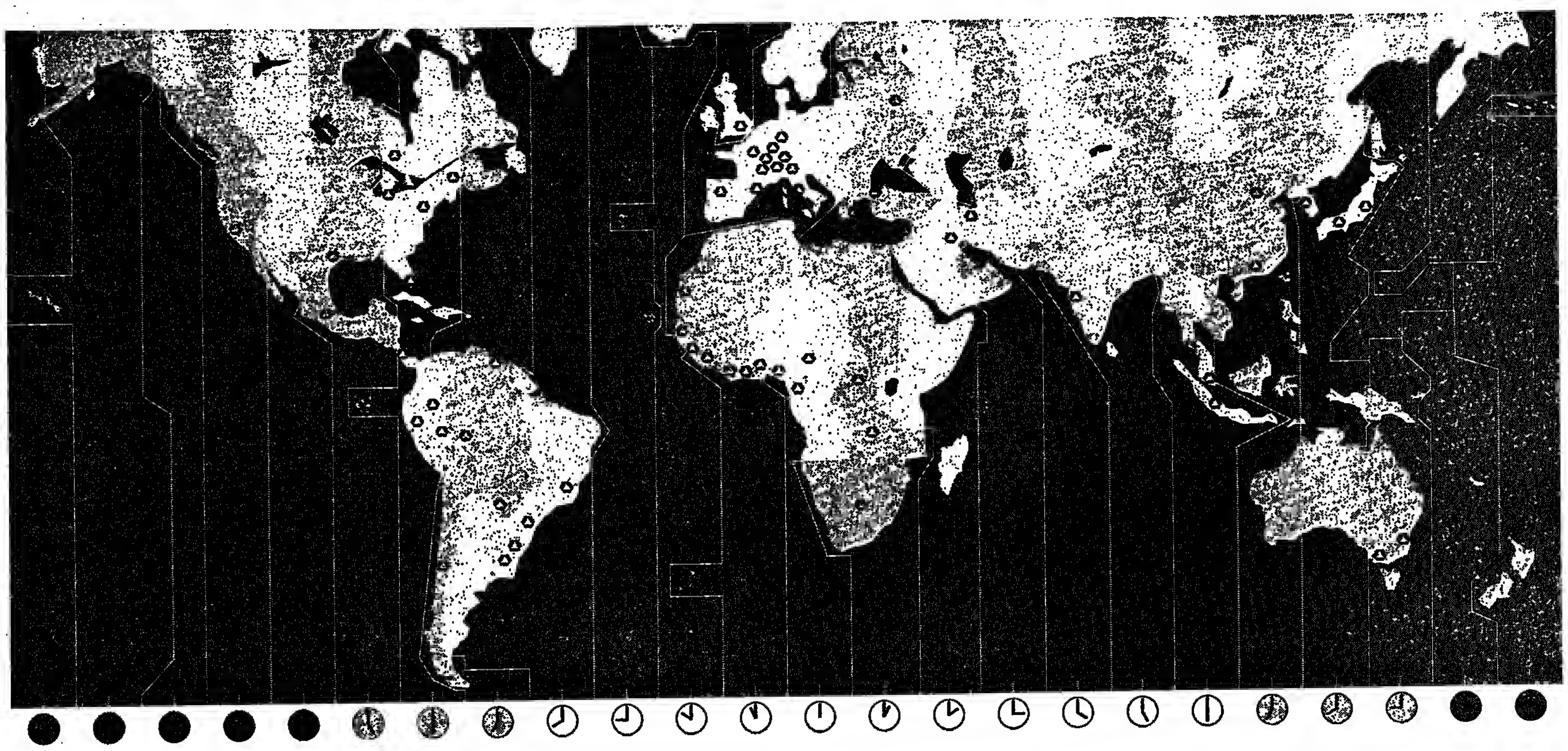

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Kinnock should be 'more tolerant over criticism'

By Ivor Owen, Parliamentary Correspondent

LABOUR cannot afford any more internal squabbles and Mr Neil Kinnock, the party leader, must be more tolerant in responding to criticism, says Mr Bryan Gould, the shadow Trade and Industry Secretary.

In defending his support for a wide-ranging Labour policy review after its third successive general election defeat, Mr Gould again demonstrates the qualities that have established him as a dominant Opposition frontbench figure.

His criticism of Mr Kinnock, in a new year message to his Dagenham constituency party, is suitably veiled. He says: "Unity must be a two-way process between leaders and led."

Mr Gould insists that Labour has everything to play for next year and reaffirms his belief that "supply-side socialism" has a potential appeal beyond the party's traditional base.

He believes the party can make 1989 a watershed year in British politics – "the beginning of post-Thatcherism" – and cites the Government's current difficulties in handling the economy to underline the challenges and opportunities for Labour.

Mr Gould says: "The notion that government and industry must work together is back in fashion now the inevitable results of leave-it-all-to-the-market laisser-faire are so apparent."

He forecasts that Labour will publish the second stage of its policy review "at a time when illusions about the economy have been rudely shattered."

While the "Tory tabloids" would celebrate a decade of Thatcherism as if it were a royal event, more sober observers would want to know why Mrs Thatcher had presided since 1979 over the worst annual growth rate of any British government.

Mr Gould complains that the interests of finance still predominate over production in the boardroom and the Cabinet, and that the chronic "short-termism" of the accountant still rules over the vision of the scientist and engineer.

He also highlights the prospects for Labour escaping from its unilateral nuclear disarmament dilemma by putting the case for demanding a matching response from Britain and other Nato members to the recent disarmament initiative launched by Mr Mikhail Gorbachev, the Soviet president.

Mr Gould says: "Then the Soviets should take another step and 1989 could be the year for what can only be described as multilateral unilateralism."

Bryan Gould: 1989 'can be watershed year' for Labour

Lloyd's syndicate to benefit from US verdict

By Nick Bunker

MEMBERS of the Richard Outhwaite insurance syndicate at Lloyd's of London could benefit by at least $16m (£9m) from last week's verdict in the Rocky Mountain Arsenal pollution insurance trial in the US, it emerged yesterday.

The verdict by a jury in a California Superior Court in San Bruno, near San Francisco, said that Shell Oil, rather than its insurers, had to pay for Shell's share of the cost of cleaning up toxic waste at the Arsenal, a former munitions and pesticides plant in Colorado. The jury's decision has delighted underwriters at Lloyd's, where many syndicates had participated since the 1950s in insuring Shell, part of Royal Dutch/Shell.

In the case of the Outhwaite syndicate, number 317/661, the decision is important because it estimated last year that over the next two decades the 1,600 people who belonged to the syndicate in 1982 could face gross claims of £263m arising from US liability insurance policies issued since 1945.

Mr Murdoch MacLeod, a spokesman for Mr Outhwaite, the syndicate's underwriter, said yesterday that about 15 per cent of the claims, or about $80m, had represented an estimate of expected pollution clean-up claims. This could be substantially reduced if appeal courts uphold the verdict and if insurers win other cases in which US manufacturing companies are trying to recover pollution clean-up bills under insurance policies.

Mr MacLeod said that of the $80m roughly $16m had related specifically to the arsenal. "In and of itself, that isn't much," Mr MacLeod said, but added that the California jury's decision could set a trend.

Much of the rest of the £263m is made up of a forecast of claims from asbestos-related injuries or property damage.

The Outhwaite syndicate acquired potential liabilities on this scale by agreeing in 1982 to issue 32 so-called run-off policies to other Lloyd's syndicates and to Fireman's Fund, the US insurer.

Under these policies, the Outhwaite syndicate took over the US liabilities of other underwriters at Lloyd's.

Freeports fail to see their ships come in

Richard Tomkins on why Britain's free trade zones have been a big disappointment

BRITAIN'S experiment with freeports – launched by the Government four years ago with the aim of creating businesses and jobs – seems destined to be labelled a flop.

Of the six Hamburg-style free trade zones set up in the UK in 1984, only two – Liverpool and Southampton – have achieved a measure of success. Belfast and Cardiff have never opened and Prestwick in Scotland barely struggled into existence before ceasing to trade in 1988.

Last month the West Midlands Freeport in Birmingham became the fourth to join the casualty list when its owners, Prudential Assurance, said it had "not captured the imagination" of potential tenants and was being cut to a fraction of its designated size.

The Liverpool and Southampton freeports have proved commercially viable but even these appear to have fulfilled few of the original aims: formation of new business is minimal and the freeports are mainly used as storage and distribution points for imported goods such as consumer electronics.

The poor take-up is in marked contrast to the enthusiasm that greeted the idea four years ago. Mr John Dryburgh, Prudential's director of property investment, recalls how Birmingham's freeport operators were initially overwhelmed with inquiries from manufacturers, processors and distributors.

"But," he said, "it soon became clear that the Customs and Excise regulations were not going to permit many of the things people originally thought they would permit."

"People thought they were going to get a tax-free Utopia, and it just didn't work out like that."

The idea behind freeports is that a piece of land is cordoned off – usually adjacent to an airport or seaport – and treated as a foreign country for customs purposes.

If incoming goods are processed and leave the freeport without entering the host country (or, in the case of EC countries, the EC), they attract no duty at all. If they do enter the host country, they attract duties only at the time of leaving the freeport.

The result is a significant improvement in cashflow because capital is not tied up in duty paid until the goods are released. Bureaucracy is also reduced, no duties are paid on goods wasted or spoiled, and there may be freedom from local taxes and regulations.

Freeports were already commonplace elsewhere, especially the Far East, when Sir Geoffrey Howe, then Chancellor, announced their introduction in his 1983 Budget speech. The six were designated in August 1984 for an experimental period of seven years.

However, initial enthusiasm evaporated as would-be users of the freeports read the small print. Most concluded that the supposed benefits were at best marginal and did not outweigh the costs of relocation.

Those who tried and failed to get freeports off the ground say lack of enthusiasm from government departments – notably Customs and Excise – resulted in a regulatory framework so tightly drawn that freeports offered practically no benefits that did not exist outside them.

Manufacturers, for example, were granted suspension of import duty on goods that were processed and subsequently re-exported but this was already widely available in the form of inward processing relief.

The cashflow advantage of delaying duty and VAT payments on imports was also available elsewhere in franchised warehouses, and there was no relief from local authority rates or corporate taxation, nor freedom from local regulations such as planning controls.

Mr Ian Smellie, chief executive of Kyle and Carrick District Council – one of the shareholders in the defunct Freeport Scotland, which briefly operated Prestwick Freeport – said the meagre benefits offered by freeports left them poorly equipped to compete with the incentives available in enterprise zones and special development areas.

Mr Alan Adams, marketing director of Pearce Construction (South West), the company that tried to start up the Cardiff freeport, agreed: "We just couldn't get the numbers to stack up to the degree that it would be to the customer's advantage to come here."

The Government maintains that people allowed their expectations of freeports to run away with them

Dr Eamonn Butler of the Adam Smith Institute, the free-market think tank that strongly advocated the freeport concept, criticised their location as another weakness.

He said: "We said right at the outset that freeports would only work if they were located in places where people wanted to go in any case.

"Instead they became instruments of employment policy. They were chosen for political reasons, not because they were in the right place."

On the other hand, Southampton – owned by the Southampton Free Trade Zone consortium – is aided by its proximity to the prosperous south-east, and Liverpool – part of the Mersey Docks and Harbour Company – benefits from the enthusiasm of Mr Frank Robotham, its irrepressible manager.

Significantly, both these freeports are part of large existing ports, giving them clear cost advantages. Handling charges from port to freeport are low and the freeports have used existing port buildings, cutting investment costs.

Both say they make profits, although neither say how much, and both are expanding. Yet both would accept that their success is more a result of location, price and service than the regulatory environment in which they operate.

The Government maintains that people allowed their expectations to run away with them and that it was limited in what it could offer by the Treaty of Rome. Its critics say lack of will is the greater obstacle and cite the example of the huge freeports operating successfully in Hamburg and Rotterdam.

A five-year review of the freeport experiment is due in 1989. But a poor prognosis is expected: the planned abolition of the EC's fiscal frontiers in 1992 appears to undermine much of the freeport rationale, and while the viable operations will no doubt be left to continue, few will be surprised if the freeport experiment as a whole is allowed to fade into memory.

Sir Geoffrey Howe: budget speech introduced freeports

Energy Efficiency Office budget to be cut to £15m

By Max Wilkinson, Resources Editor

THE budget for the Government's Energy Efficiency Office for the next financial year will be almost halved, to £15m, it was disclosed yesterday. The cut will be confirmed in the spending white paper early next year.

It follows ministerial speeches on the importance of energy conservation to combat the global warming of the so-called greenhouse effect.

The EEO, set up by the Energy Department, promotes conservation by advising businesses on the best efficiency measures. It no longer gives direct subsidies but its budget this financial year is £24.5m.

Yesterday Mr Andrew Warren, director of the Association for the Conservation of Energy, called the cut "a body blow against the battle to stop global warming via the greenhouse effect."

The effect is thought to be caused by carbon dioxide emitted into the atmosphere from power stations and other sources. Many scientists believe a warming of the globe is already detectable and that this could cause climatic changes.

This month, Mrs Margaret Thatcher, the Prime Minister, told businessmen meeting in the Royal Academy: "We must heed the dangers posed by the greenhouse effect. We are adding 3bn tonnes of carbon dioxide to the atmosphere a year. To ignore this could expose us to a climatic change whose dimensions and effects are unpredictable. So energy efficiency is crucial."

Mr Warren said that in 1983 the Government said it wanted Britain to be Europe's most energy-efficient nation by 1990. Mr Peter Walker, then Energy Secretary, hoped to cut the nation's £36bn annual fuel bill by £7bn a year, thereby lowering pollution from fuel use.

Mr Warren said: "His successor, Cecil Parkinson now talks of taking £8m off an annual bill which has soared to £39bn. So how much have we achieved even before this latest blow?"

Yesterday the Energy Department confirmed the EEO budget cut was about to be made. This year the Government put up to £69 for loft insulation; energy surveys for industry; and television advertising campaigns on energy saving in households.

Fabrics business sold for £8m in buy-out deal

By Alice Rawsthorn

A MANAGEMENT team has bought out the fabrics business acquired by the Oakwood Group through its merger with CoxMoore this summer. The cost of the buy-out was £8m.

Oakwood, which is involved in electrical engineering and textiles, joined forces with CoxMoore in August. It has since pursued a strategy of selling or closing the latter's peripheral textile interests to concentrate on its branded knitwear activities.

The sale of the fabrics business to the buy-out team forms part of this strategy. The management has won control of four fabrics companies, which made pre-tax profits of £815,000 on sales of £21.6m in the 13 months to April 30. The business will be renamed the Abbeygate Group.

Abbeygate embraces four companies, with 500 employees, based in Leicestershire and Lancashire. They are Bell Woven, Hoyle Butterworth, Ingram Dyeworks and Hall & Earl.

The buy-out team is composed of five Abbeygate executives led by Mr Peter Land, at present director of CoxMoore's fabric division. The buy-out was co-ordinated by 3i, Investors In Industry.

Press Council reform sought

By Raymond Snoddy

MR LOUIS Blom-Cooper, chairman elect of the Press Council, wants a radical reorganisation of the council, including a new constitution.

Mr Blom-Cooper, the lawyer and journalist who takes over the newspaper industry's voluntary regulatory body next month, has written to newspaper proprietors seeking their agreement for the drawing up of a new constitution.

After observing a number of Press Council meetings, the new chairman is convinced of the need to streamline proceedings and reduce the number of members.

At the moment the council has 14 representatives of the newspaper industry and 18 representatives of the general public with a further eight officials of publishing bodies entitled to attend meetings in a consultative capacity.

Mr Blom-Cooper's reforming moves come as the issue of a voluntary Press Council adjudicating on grievances and trying to set codes of conduct becomes a political issue.

Two private members' bills are due to come before the House of Commons next year – one would introduce a general right of privacy, the other a statutory right of reply.

Yesterday Mr Blom-Cooper emphasised in a BBC radio interview that he did not want the council to have statutory powers such as the right to fine journalists. He believed, however, that it should have a higher profile.

Sir Zelman Cowen, retiring chairman, argued in the council's 35th annual report published yesterday that an effective voluntary council depended on:

● Full compliance with the rules on publishing of adjudications.

● Quick response and direct involvement by editors in dealing with Press Council complaints.

● Newspapers obeying all Press Council rulings.

The council handled a record 1,567 cases in 1987 with 159 full adjudications. The Sun had most complaints upheld against it – 15 – followed by the Daily Mail with 9.

The Press and the People; Press Council, 1 Salisbury Square, London EC4Y 8AE; £2.50 plus 60p postage.

Newspaper extends cash deadline

By Raymond Snoddy

THE Sunday Newspaper Publishing Company yesterday extended for the second time the deadline for raising the £16.5m it needs to launch the Sunday Correspondent.

The prospectus for the quality Sunday newspaper scheduled for launch in late spring now lapses and assumes the status of an information memo.

The original deadline of December 21 was extended to December 29. Now the company aims to settle its finances by the second week of January.

The founders of the Sunday Correspondent include Mr David Blake, a former economics editor of The Times, Mr David Lipsey, former editor of New Society, and Mr Gavyn Davies, chief economist at Goldman Sachs International.

The funding is being sponsored by Prudential Venture Managers, part of the Prudential group, which is believed to have committed £2m.

Mr Nicholas Shott, chief executive said further pledges of financial support had been received since last week but other potential investors had asked for more time because of the Christmas break.

Mr Shott said: "There is no doubt . . . that the money is out there."

The delay would not, be said, affect the company's ability to launch the paper on schedule.

Mr Shott declined to say what ratio of the financing had already been pledged.

More than 400 journalists have written to express interest in joining the paper, which aims to fill a gap at the top end of the Sunday market due to shortcomings of existing titles.

Entrepreneurs 'rarely make use of previous experience'

By Vanessa Houlder

BRITISH entrepreneurs rarely exploit market knowledge gained from their previous employers, in contrast to their US counterparts, according to a survey published this week.

Few of the activities of the UK entrepreneurs surveyed were related to those of their previous organisation. This compared with a study last year by the same author which showed that 43 per cent of US entrepreneurs had started in direct competition with their previous employer.

The research, which was based on leading UK owner-managed firms, also highlighted large differences in the educational backgrounds of British and US entrepreneurs. Almost half the UK sample left school at 16 and no one had a post-graduate qualification. The most common career path was sales.

In a comparable US sample, however, almost three quarters of the entrepreneurs had a first degree and more than half had a post-graduate degree.

None of the UK entrepreneurs surveyed had parents with managerial experience in a large organisation. Instead, they were typically self-employed or employed in a small firm. This contrasts with the US study in which half the entrepreneurs came from the professional or managerial classes.

The survey was based on 31 of the 100 largest UK companies in which the the executive concerned had a stake of at least 20 per cent and was a founder or a descendant of the founder.

The sample reflected a concentration of businesses in the service sector and in London and the south east. The age of the companies indicated, however, that this trend was not recent.

The authors concluded that entrepreneurs were uninterested in economic policy although generally positive about the current Government. In addition, they viewed City institutions "with an indifference verging on hostility."

The British Entrepreneur 1988: A study of the top 100 owner-managers, by Sue Birley, Professor of Entrepreneurship at the Cranfield School of Management, with Liz Watson of Arthur Young.

Willis fears for economy

BRITAIN'S prospects were worse than for any "stop" period in the stop-go eras, Mr Norman Willis, general secretary of the Trades Union Congress, said yesterday.

In a new-year message, he said there was increasing evidence that the so-called "fundamentally strong" economy of Mr Nigel Lawson, the Chancellor, had been built on the shifting sands of an unsustainable consumer boom.

He added: "The whole edifice could be blown away by the return of high inflation or an old-style balance-of-payments crisis. It is a prospect that concerns me and every trade unionist whose standard of living is threatened."

Hambros to contest Norwegian lawsuit

By David Lascelles, Banking Editor

HAMBROS, the City merchant banking group, intends to defend itself "vigorously" against a threatened damages action by the Norwegian state-owned Guarantee Institute for Export Credit in connection with the collapse of a shipping empire controlled by Mr Hilmar Reksten.

Hambros shares fell 6p to 229p yesterday on the news.

The institute plans to launch a legal action for NKr1bn (£85m) as part of its investigation into the late Mr Reksten's empire.

Hambros led a consortium of banks which loaned $160m (£89.4m) to the Reksten group in the 1970s. However, in 1982 it signed an agreement with the institute whose object, it says, was to make "a permanent and final settlement" of any claims arising from the affair. The institute now claims that Hambros did not provide "full and relevant information" about the loan.

Hambros said it "totally rejects any liability arising out of the affairs of Hilmar Reksten" and if any action was brought it would "defend itself vigorously and seek all remedies to which it is entitled."

The shipping empire foundered in the late 1970s, and its loan losses were borne by the Norwegian Government through the institute.

Relaxation of curbs on charities urged

By Alan Pike, Social Affairs Correspondent

THE GOVERNMENT is coming under pressure to relax the legal controls restraining the investment powers of British charities.

Most charities are covered by the 1961 Trustee Investment Act, which prevents direct investment in many newer forms of activity including the Unlisted Securities Market, options, futures, underwriting contracts and overseas investments.

While this may have helped to protect funds against unduly hazardous investments, there is a growing feeling in the charity sector that the constraints of the act are preventing organisations from obtaining the best return on their money.

The Charities Aid Foundation, in an assessment of investment law compiled after questioning a range of leading charities, says that charity trustees must decide whether or not to make a particular investment in the light of the degree of risk and other relevant factors. However, "set against 20th century rates of inflation, trustees act as imprudently by investing too safely as they do by undertaking wilful or inordinate risks."

A white paper on the organisation of charities is expected from the Government in the spring, followed by legislation in 1990. Supporters of a more liberal approach to investment powers hope the Government will avail itself of the opportunity for legislation in 1990.

Investments form an important, although often little appreciated, element of income for Britain's charities. Investment policy has a much lower profile than fund raising in many charities. Yet last year the leading 400 charities received £145m from rents and investments – 18 per cent of their total income – compared with only £82m from voluntary fund raising.

Under the 1961 act, charities have to divide their capital into two equal parts to be invested in narrower-range and wider-range investments. Narrower range investments include Defence Bonds, National Savings Certificates, National Savings Bank deposits and a variety of mainly gilt-edged and other fixed-interest securities. Wider range investments are defined as UK companies, building societies and authorised unit trusts.

A study carried out by Phillips and Drew Investment Services for the Charities Aid Foundation showed that since 1962 the value of fixed interest assets had been undermined in comparison with equities.

"It follows that a charity whose powers of investment are restricted to investments authorised by the 1961 act, and which must therefore divide its funds between narrower and wider-range investments, will be at a disadvantage," says the report on the foundation's investigation. Such charities would also be prevented from investing in smaller companies, where substantial growth might be expected, in the USM and overseas markets.

A minority of charities already have wider powers of investment than those permitted by the 1961 act and the Government will be urged to make greater flexibility over investment issues available to all charities by 1990. However, there is evidence that not all charities would be quick to take advantage of such new investment opportunities.

The Charities Aid Foundation investigation found that, even where individual charities have wider investment powers than those contained in the 1961 act, trustees remain conservative in their approach and are cautious in the use of underwriting and overseas investment.

"Avoidance of undue risk taking and activities which may be construed as trading are elements in this policy, as is the keeping of assets in a form readily convertible to cash to meet the working needs of the charity," says the foundation's report.

MANAGEMENT

Insurance

Why Generali shuns hostility

Alan Friedman explains the Italian group's expansion strategy in advance of 1992

Franz Kafka used to work for Assicurazioni Generali. Indeed the Czech writer penned most of Metamorphosis while an employee of the Trieste-based insurer, labouring by day as a lowly clerk in the group's Prague offices and scribbling furiously (about a clerk who turned into a cockroach) by night.

In the city of Trieste, at the grand old headquarters of Generali, Italy's leading insurance concern and the world's second biggest in terms of market capitalisation ($18bn), yellowing documents bearing Kafka's signature are displayed proudly alongside other Middle European relics of the Hapsburg era. And a stroll through the creaking corridors of Generali's executive suite inevitably conjures up visions of those years that followed the foundation of Generali in 1831, when Trieste was still part of the Austro-Hungarian empire.

At home

Enrico Randone, the 77-year-old chairman and principal managing director of Generali, seems right at home in the 19th century milieu. A highly reserved insurance man of the old school, the chain-smoking Randone has spent 51 years at Generali. Along with his old friend (and influential Generali shareholder) Enrico Cuccia, the 80-year-old eminence grise of Mediobanca, the Milan merchant bank, Randone symbolises a certain attachment to the old ways of doing business, where company takeovers are negotiated between gentlemen and hostile bids don't exist. "The public takeover bid," Randone has said, "is an aggressive form of finance and is not in the Generali style."

Despite the old-style image, however, Generali is on the move. The company is reorganising the way it manages its 49 insurance subsidiaries around the world, trying to cut costs at home in Italy and seeking ways to enlarge on an already substantial spread of interests in Europe. There is, as Randone admits, much work to be done. For while Generali is the Rolls-Royce of Italian insurance and, with an expected L10,800bn ($8.3bn) of 1988 consolidated group premiums, also one of Europe's leaders in the sector, the senior management knows it must not sit back as the EC's liberalised internal insurance market begins to take shape.

In European financial circles the Italian insurer's most news-making initiative of 1988 was undoubtedly its slow-motion attempt to secure effective control of Midi, the French diversified insurance and financial concern. Over the past 12 months Generali has spent a grand total of L1,250bn ($957m) in buying up a total of 15.5 per cent of Midi equity. But Midi's merger with the Axa group, which now owns 28.6 per cent of Midi, combined with a number of delays imposed by French authorities, have diluted and slowed Generali's French campaign.

Randone insists that he has no hostile designs on Midi. He only wishes to add Generali's strength in France (around $1bn of 1988 premiums came from Generali's French subsidiary) and its world-wide spread of activities to the domestic French premium base of Midi. With a sardonic smile the Generali chairman says: "We are in a stalled phase because of the dispute between Bernard Pagezy, Midi's chairman, and Claude Bebear, chairman of Axa, and we will decide what to do in future on the basis of this row and on the basis of the costs involved in acquiring additional Midi stock."

It is widely expected, however, that Generali will move to build its stake up to 20 per cent, and possibly beyond.

Apart from France, it appears that Generali's major preparatory move ahead of 1992 will be to try to cut its above-the-European-average costs of doing business back at home in Italy. Generali would like to be stronger in West Germany, where it accounts for 2 per cent of the nation's premiums, and feels that critical mass in what is Europe's biggest insurance market should be closer to 5 per cent.

But Generali has no immediate acquisition plans in West Germany, nor does it see any prospects in the UK. And Spain, says Eugenio Coppola di Canzano, who along with Randone and Alfonso Desiata is part of Generali's ruling troika of managing directors, has seen "too many takeovers at too high prices."

Coppola stresses, however, that with its network of companies in EC countries as well as Switzerland and Austria, Generali "is already the most European insurance company." And he adds his view that "acquisitions are not the only answer to 1992: it may seem obvious, but reorganising and reinforcing our existing presence may be as effective a strategy in many countries."

Italy, which in 1988 is expected to have represented 51 per cent of Generali's group premium income (or L5,500bn worth), is meanwhile a key priority. And the past few years have seen Italy's life market grow substantially as high-saving Italians have been persuaded that life insurance is worth having. As recently as 1985 Italy ranked 25th in the world in terms of per capita spending on life insurance.

The growth since then has been phenomenal; from its low base Italy's life premiums jumped by 33 per cent in 1985, by 38 per cent in 1986 and by 39 per cent last year. In 1988 life premiums have grown by 27 per cent, but the potential market is seen by industry analysts as at least double the present total of L5,000bn of premiums. Generali leads the Italian life market, with 12.4 per cent of premiums.

The attractiveness of the Italian insurance sector has already seen a series of takeovers in recent years so that the second biggest insurer – RAS – is now owned by Allianz Versicherung of West Germany and the fourth biggest company – SAI – is controlled by Italian financier Salvatore Ligresti. The agro-industrial Ferruzzi group controls La Fondiaria, the Agnelli industrial and financial group controls Toro and the De Benedetti financial and industrial group owns Latina. The Benetton clothing and financial services group has a venture with the Italian associate of Britain's Prudential and Silvio Berlusconi, the private television magnate, controls Mediolanum, a fast-growing insurer.

Slim pickings

All of this means that there are slim pickings for foreign investors wishing to buy into the Italian insurance market. Despite the growth of the market, however, its cost structure could place the Italians at a disadvantage in the 1990s when European competition gets tougher.

The problem, Randone explains, is that the structure of commissions, the cost of agents and the overheads involved in managing "a super-tanker such as Generali" mean that streamlining is required. Randone's first move is to reorganise the management structure so that whereas in the past one manager might have handled all accident insurance, for both individual clients and corporate customers, product lines will now be separated and executives will be assigned to responsibility for either individuals or companies, but not both. It may seem an obvious distinction, but to date few Italian insurers have distinguished between different market segments.

There is, however, at least one uncertainty facing Randone and his men: for several months trading in the shares of Generali on the Milan bourse has been frenetic and unusually high-volume. Rumours have abounded that either a Japanese insurer has been seeking to build a sizeable stake or that Mediobanca and Lazard Frères, Generali's two biggest shareholders (and allies), might be seeking to reinforce their own combined 10.5 per cent holding.

Randone rejects both possibilities, but sources in Milan have confirmed that Japanese securities houses have been buying Generali shares and then selling to take profits. For the moment the company seems safe from a takeover, not least because of the multi-billion dollar cost of acquiring even a moderate minority share.

Generali's image, as a pillar of the private sector of Italian capitalism, as a traditionally conservative insurance group and as a company where being an executive means having a head of grey hair, undoubtedly corresponds to reality. But the Old Guard in Trieste should not be underestimated and analysts from Wall Street and London give Generali high marks as an attractive share.

At the age of 77, with no plans to retire and with a schedule that could easily fatigue a younger man, Enrico Randone appears determined to put Assicurazioni Generali through its own kind of "metamorphosis".

Enrico Randone: The aggressive takeover "is not in the Generali style"

Commercial reality versus government influence

Nicholas Woodsworth reports on the difficulties facing the management of Indeco, Zambia's monopoly supplier

For most of Africa, a quarter of a century's experience of state-managed economies has led to a search for happier formulas for achieving national prosperity. Even in such formerly rigidly controlled economies as Tanzania's, privatisation, structural adjustment, and the commercialisation of production are leading to the gradual dismantling of unwieldy and inefficient state enterprises.

In one corner of the continent, however, these new approaches to the problems of low productivity and capital generation have been rejected. The southern African country of Zambia, despite deepening economic crisis and the failure of the state to provide basic consumer minimums, has chosen to reinforce its system of parastatal production.

The recent upgrading of management techniques in the publicly-owned system has had a limited positive effect. But it has also highlighted unresolvable contradictions between Zambian political expedience, which encourages parastatal operation, and economic reality, which inhibits it.

Since independence Zambia has relied on the export earnings of its vital copper industry to finance both consumer imports and domestic manufacturing. Over 70 per cent of total manufacturing GDP in Zambia is accounted for by Indeco, a conglomerate of 43 companies producing almost the entire range of Zambia's industrial and consumer goods.

While high copper profits in the past allowed the state to underwrite Indeco's substantial losses, dwindling copper output has so reduced foreign exchange supplies that this is no longer possible.

Indeco now has no choice but to run its operations on a commercial basis. Yet government policy makes this extremely difficult. The one-party state of President Kenneth Kaunda has long used heavy subsidies on consumer goods as a means of purchasing stability and support. Fear of political consequences has led it to rule out the price increases that would allow Indeco to operate efficiently.

Indeco products, such as maize meal, sugar, and cooking oil are all sold near or below cost price. Most Indeco items are permitted a mark-up of less than 10 per cent over production cost, giving a profit that barely allows reinvestment in raw materials, much less plant or capital equipment.

The policy of minimum prices is largely self-defeating. So cheap are Indeco products in comparison with goods available in neighbouring countries that up to 20 per cent of production is smuggled out. Price distortions have a significant effect domestically as well. Without adequate profits, production procedures are often held up, resulting in shortages.

Profiteering and panic buying ensue, with available stocks being sold on the black market for up to four times the official price. Thus consumers end up paying high prices despite government policy, while illegal middle men pocket the profits.

Without the option of significant price increases, Indeco has had to take drastic management measures in order to survive. No longer can it afford, in the words of one company executive, to be "the inefficient, monopolistic, loss-making giant" it was in the 1970s.

Expertise

Previously neglected problems of poor cost control, inadequate accounting systems, overmanning, lack of production planning, insufficient market forecasting, poor plant maintenance, and lack of worker expertise and motivation have all assumed critical importance.

Management reforms, according to Graham Turvey, Indeco marketing manager, have been responsible for marked improvement in recent company operation. In the 1988 financial year, Indeco made a pre-tax profit of 403m kwacha (£23.4m), up 60 per cent over the previous year's surplus.

"Each individual company and company manager now stands or falls on performance," says Turvey. "They have become accountable and financially autonomous, and loss makers are no longer supported by profit makers. Indeco has been forced to become more efficient. We now have the most sophisticated monitoring and management information system in the country."

This may be so, but the management problems faced in Zambia are hardly comparable with those found in freer market economies; the need to tread a tight line between commercial rationality and non-market oriented government policy has created peculiar management problems. The more challenging are:

- Chronic foreign exchange shortages. Indeco managers spend much of their time lobbying Ministry, Central Bank, and party officials in an attempt to gain support for foreign exchange allocations. Without these government-approved disbursements, raw materials and plant equipment cannot be bought.
- Capacity utilisation. Without adequate foreign exchange, Indeco factories are running at an average 45 per cent of capacity. Yet overhead costs remain constant.
- Cash flow. With minimum profit margins, there are difficulties in raising capital for new projects and keeping cash flow positive. Many Indeco companies have had to borrow heavily from commercial banks. The company owes 233m. kwacha in debt servicing alone this year.
- Distribution. The transport system in Zambia is a shambles. At any one time half of Indeco's transport fleet is inoperable because of a lack of spare parts.
- Expertise. Many of Indeco's most profitable companies are supervised by expatriate specialists. The government is now exerting pressure for the "Zambianisation" of personnel.

The long-term prospects for Indeco are not encouraging. The foreign exchange supply shows no sign of increasing. A 20 per cent devaluation has made raw material imports more expensive. The large black market continues to expand. And, most serious of all, the government has shown little sign of relaxing market controls.

Only by swimming very hard upstream against these controls is Indeco managing not to lose ground.

TECHNOLOGY

A speedy route to the direct line

Della Bradshaw looks at the advantages to companies of installing optical fibre cable

In preparation for the flotation of shares in British Steel in November, London stockbroker James Capel needed to keep in constant touch with one of its big institutional clients. It took just a few days to get a dedicated telephone line installed between their two buildings.

Simple as that sounds, telephone companies regularly take 100 days or more to provide private leased lines. The speed with which the James Capel link was installed was made possible by a technique which telephone companies in the US and Europe are employing to give their prime business customers a better service.

Called a flexible access system (Fas) it uses a combination of:

- Optical fibre: strands of glass in a plastic coating which are bundled together into a cable. This replaces the traditional copper telephone links. When a telephone call is made, the voice message is translated into digital light pulses which are flashed by laser down the fibre. The electronics at the receiving end translate the light signal back into sounds.
- Multiplexers: electronic boxes installed on the customer's premises which squeeze a number of individual telephone calls down one large optical fibre pipe. James Capel, for example, has 90 optical fibre extension lines which are squeezed into three pipes for transmission to the local exchange. The multiplexers are controlled by software which can be modified from a control centre.
- Software controlled telephone exchanges, called cross-connect switches: each customer is connected to a local switch which is connected to other such exchanges on an optical fibre network. Users can be linked together on tha network by reprogramming the software, eliminating the need physically to engineer a connection.

Fibre takes up less space in the cable ducts than its copper counterpart and can also be used to give a wider range of services. Its very modernity adds to its reliability and quality is improved because it is digital.

For James Capel, the higher reliability of optical fibre has been one of the main advantages of Fas. "People tend to think data is more important than voice communications because it involves computers," says Brian Stacey, manager of operations and communications at James Capel. "But good quality voice communications are very important. People forget how sensitive they become when a voice circuit goes down. When you've got a dealer just about to close a deal which he thinks will buy him s Porsche, he gets very upset if the phone call is cut off."

Systematic installation of optical fibres in the long-distsnce telephone network has been going on in Europe, Japan and the US since the early 1980s. But the cost of optical fibre systems has only recently fallen far enough for telephone companies to justify installing them in the local network – between the office or factory and the nearest telephone exchange – for high revenue business customers.

The drive has been accelerated in countries such as the US and UK by the introduction of competition in telephone services, and the consequent need for the established telephone companies to provide more efficient communications.

Ian Dufour, manager of access network evaluation at British Telecom (BT), acknowledges that the introduction of an all-fibre core and local network by its rival Mercury Communications spurred BT into a more rapid installation of optical fibre in order to retain its blue chip customers.

Although the dealers on the BT service are only using Fas for voics communications between two defined points, the service will also be available for ordinary dial-up telephone lines in the UK at the end of 1989 or during 1990.

Other applications are also being developed to exploit Fas technology. As the configuration of the network can be changed through the software, so the use of the telephone lines can be changed on a daily, weekly or monthly basis.

For example, a company using 30 voice lines during the day could change them to transmit video pictures at night for a remote video security system. A group of lines normally used for ordinary telephone calls could be merged on a one-off basis to act as s video-conferencing system, transmitting voice and live pictures. (High quality video-conferencing pictures usually need a handwidth of 2 Mbits per second – the equivalent of 30 ordinary telephone lines.)

In the US, the telephone companies are selling Fas customers the software and equipment so that they can reprogramme the distribntion of their lines themselves. In the UK, however, BT is carrying out tha adaptations from its own network management centre.

The idea of programmable transmission systems such as Fas began in the US, where AT&T introduced a copper-based system in 1975. AT&T is still one of the world's leading manufacturers of Fas systems. As well as selling systems to American telephone companies, it has also won an order from France Telecom for a leased line Fas system, called Transmic, which will be in service by the end of the decade.

Two Scandinavian firms, Ericsson and Nokia, have similar systems. Ericsson is installing a leased line Fas system for Televerket, the Swedish telecoms authority, for service in the early 1990s. British companies STC and tha joint venture GEC and Plessey Telecommunications (GPT) have supplied the Fas system for the BT network. Siemens in West Germany is also selling the STC system and will install it for the Dutch telephone company.

There are about 100 companies already using the Fas network in the City of London. All are dealers with direct voice links to other dealers and clients on the BT "dealer interlink" service. Dufour predicts that there will be about 650 customers using the service in the City by the end of next year.

In addition, there will be new customers in the Docklands area of London, where BT is planning to open a service during 1989. In the Docklands, customers will be able to use the service for ordinary telephone calls as well as for leased line calls. The City and Docklands installations have cost BT £70m.

BT has also announced plans for a £200m extension programme to introduce the service to other important business centres, beginning with Birmingham, Manchester and Edinburgh. By the mid 1990s, about 10 per cent of all BT's exchange lines – at least 2.5m lines – will be using optical fibres rather than copper cables for their telephone services.

Dufour believes that by that time, the service will be so widespread, companies will use the leased line optical fibre pipes as the backbone of their private telecommunications networks.

Although the emphasis so far has been on large businesses, Peter Radley, technical director of STC Telecommunications, sees advantages in Fas for the small business cnstomer. "Fas can be very useful in a multi-tenanted office, where different companies need different ssrvices and where there is a rapid turnover of tenants. What is a solicitor's office today could be an accountant's office tomorrow, but with Fas the service given to that business can be changed quite easily through the software – without lots of of men scurrying around the country in little yellow vans."

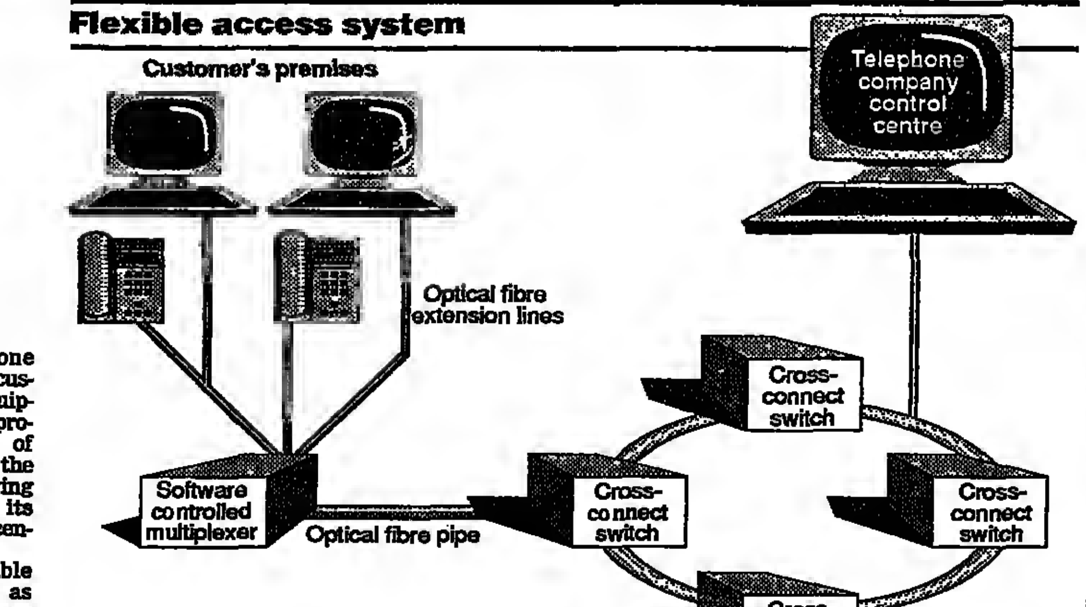
To guarantee the success of its "phoneline on demand" service, BT is installing more fibre lines than the customer initially requires, in order to ensure that lines can be supplied as quickly as possible. Customers order the lines in chunks of 30 at a time.

Stacey, of James Capel, admits that although that gives the speed of installation it also has its drawbacks. "The cabinets take np an awful lot of space. In spite of everything yon hear about optical fibre being more compact, we've paid in space terms. BT has installed equipment that could probably give us up to 480 voice telephone circuits, but at the moment we're only using 90 of them."

As with all leased line services, if enough calls are made the cost of leasing the line (and not paying individually for the calls) is cheaper than using ordinary dial-up services.

Althongh Fas works out slightly more expensive than traditional non-programmable leased line ssrvices, Stacey believes that the time saved in getting lines up and working makes it worthwhile.

Flexible access system



Natural gas source beneath the sea

By Thomas Land

VAST quantities of natural gas trapped beneath the sea and the Arctic may soon be unlocked to provide new energy sources.

Techniques for the recovery of gas hydrate reserves are being developed by the National Research Council (NRC) of Canada.

Enormous pressures and low temperatures at the bottom of the sea shape water and gas molecules into gas hydrates, according to a discussion paper published by the NRC.

The water molecules bond together in a network of spherical cages that trap neighbouring gas molecules, such as methane, formed from organic sediment deposited over millions of years.

The Canadian scientists suggest that the hydrates may extend fossil fuel reserves for several hundred years. They also reckon that the heat needed to release the gas is little more than that needed to melt ice.

For example, at 20 deg C the surface water is warm enough to melt the hydrate if it can be pumped down into the hydrated zone. The gas might then be collected by some umbrella arrangement and piped or shipped to market.

Some research workers blame the recurring, unexplained disappearance of vessels in places like the Bermuda Triangle on natural blow-outs of gas from beneath the sea. They believe that the hydrate zones act as impermeable barriers to underlying gas fields that accumulate where temperatures are too high for the formation of gas hydrates.

If the seal cracks in an earthquake or other disturbance, free gas and quantities of decomposing hydrate rise through the water, causing surface eruptions.

Scientists from the US Geological Survey have announced the discovery of potentially large volumes of natural gas hydrates in the sediments on continental slopes beneath the oceans and in the Arctic permafrost. The Soviet Academy of Sciences estimates that the gas resource in hydrates is greater than that remaining in conventional hydrocarbon reserves.

Psion adds communications card to its pack

Psion, the UK-based microelectronics company which has agreed to pay an initial £4.5m for the privately owned data communications company, Dacom, is on a course which should give it a leading position among Britain's tiny band of successful personal computer manufacturers.

Best known for its Organiser, a hand-held computer which sells in the High Street as an electronic Filofax and to corporations for various applications, Psion's expertise lies in microelectronic circuitry and microcomputer software. The acquisition of Dacom gives it access to a broad range of data communications skills.

Such skills have become mucb in demand as businesses move towards decentralised and distributed data processing, concepts whicb demand that computing power is dispersed throughont a company but organised into networks.

An essential element of such systems is the modem, which converts computer language into signals for transmission down a telephone line. Dacom has developed sophisticated modems and counts Toshiba of Japan, Zenith Data Systems of the US and Apricot Computers of the UK among its customers.

Psion turned over £11.8m last year and is likely to turn over abont £20m in 1988 according to estimates from Chase Manhattan Equities. Dacom, founded in 1981, has revenues of £4.6m for 1988. The combined group should turn over more than £30m in 1989, unless there is a downturn in the market for portable computers or data communications systems.

Psion makes games and business software, but the chief source of its profitability is the Organiser, now being produced at the rate of 20,000 a month. Abont half its production goes overseas, according to founder and chairman David Potter, chiefly to Europe bnt also to the US where sales are just becoming profitable after an uneven start.

Next year it intends to launch a range of products which will exploit the company's ability to make the most of limited technical resources – the Organiser, for example, uses ordinary batteries for tasks which usually need expensive high powered units. It employs ingenious software techniques to cram information into memory chips.

Its most important product launch will be of a portable, or lap-top, computer able to run for weeks on a single battery charge. It is expected that Dacom modems will enable the portables to be built into corporate data networks.

The Organiser is already extensively used in the retail sector for stocktaking and price references, but it is finding increasing favour in health and finance. National Westminster Bank, for example, has bought more than 1,000 of the devices to belp calculate loan quotes and foreign exchange deals.

Psion's niche market is, however, already under threat from Sharp of Japan which has introduced a version of the Organiser. Potter argues that Sharp aims its product wbolly at the retail sector, whereas Psion also sells to corporations. He hopes that the Sharp computer will broaden the market, rather than hurting Psion's sales.

By Alan Cane

ARTS

Screen scene still springs surprises

Nigel Andrews reviews the cinema world in 1988 and picks his personal favourites

It is 100 years since the invention of the movie camera. It is 75 years since the first Hollywood feature film (Cecil B De Mille's *The Squaw Man*, 1913). It is 50 years, come Sunday, since the start of the greatest twelve-month in film entertainment history: 1939, year of *Gone With The Wind*, *The Wizard Of Oz* and a dozen glittering others. And it is 25 years since the cinema introduced us to Cinemascope and began its historic and continuing feud between big screen and small.

And still the movies march on. Surprise is the key. The year 1988 proved what film-lovers have known since the birth of film, that primeval dawn in which long, sprocket-holed creatures first wriggled forth from the slime of history: nothing will kill cinema while it stays young and retains its power to ambush and surprise. Despite the cynicism of cinephobes and the doomy prophecies of Wardour Street soothsayers, the movies remain the sprightliest 100-year-old on the block.

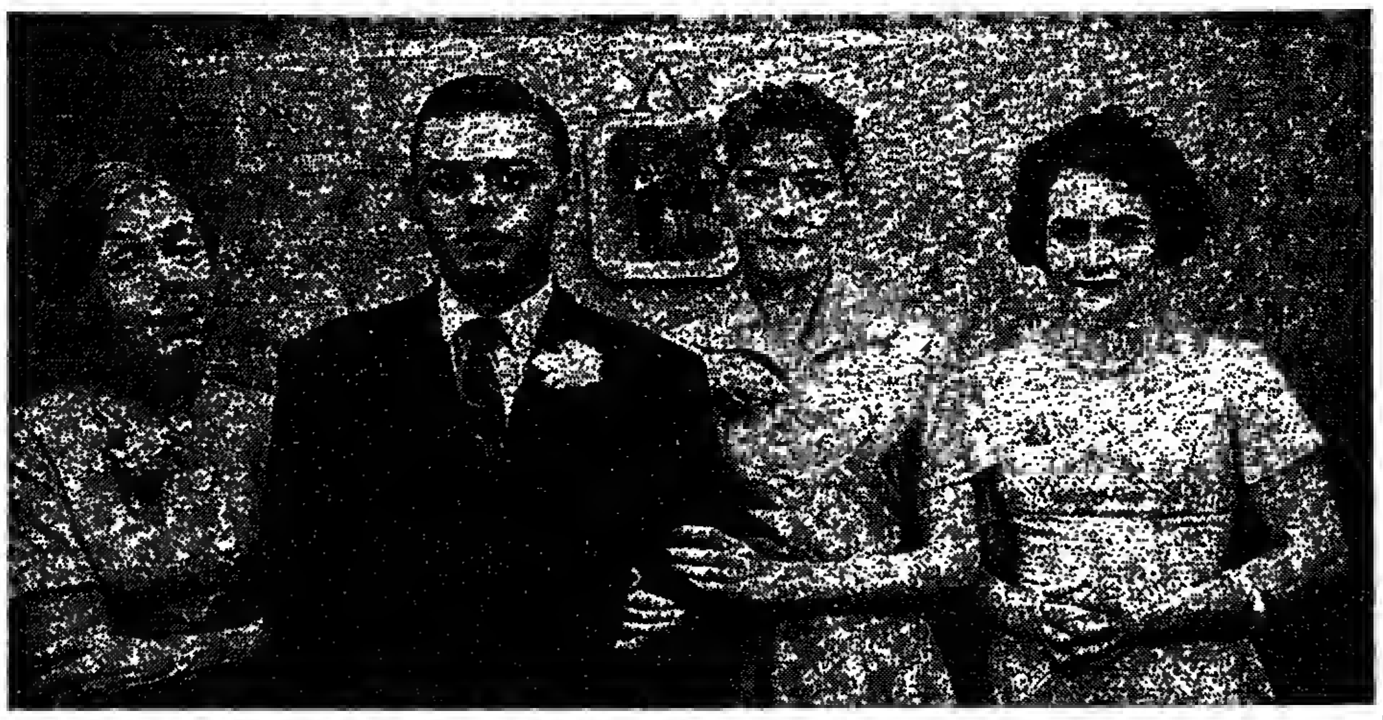
Just when you thought it was safe to write off the industry, it has bounced back with four successive years of rising attendances. (This year's UK admissions have gone up yet again by a couple of percentage points). And just when you thought that the art of film had become an elephants' graveyard, in which nothing new could match the mouldering remains of great old pachyderms (*Kane*, *Potemkin*, *Napoleon*), the hour brings forth the masterwork and the magnum opus.

I believe that Terence Davies's *Distant Voices, Still Lives*, a spellbinding blend of autobiography and imagination, will have a place among the immortals. And who could complain of parochialism or narrow horizons in a year when Hollywood bestowed its top Oscars on a British-produced historical epic directed by an Italian in China's Forbidden City? Film: *The Last Emperor*.

Amid the genius and the giantism, 1988 was also an amazing year for comedy. More amazing than how much we laughed was what we laughed at. We laughed at a surreal essay on food and sex from Japan (Juzo Itami's *Tampopo*). We laughed at a tale of three wives drowning three husbands (Peter Greenaway's *Drowning By Numbers*). We chortled at a razor-keen exposé of the cut-throat world of television (James L. Brooks's *Broadcast News*). We guffawed at John Cleese and Kevin Kline caught in the Laocoon plot coils of *A Fish Called Wanda*.

And we giggled at two bleak, low-budget comedies of family manners from North America. Atom Egoyan's *Family Viewing* from Canada and Ross McElwee's *Sherman's March* from the US both shredded conventional narrative to produce pixillated, semi-plotless tales based on a comedy of reaction and bewilderment.

These two films took over the cinema of free-floating anxiety, western world division, from Woody Allen. Allen himself left to join the Ingmar Bergman School for the Incurably Serious. Here he made his first-year student film, *September*, which for sheer enjoyment equalled a blow on the back of the head with the complete works of Wittgenstein. Some critics, though, believe that this film was a practical joke and that Allen is now laughing all the way to the tax write-off department.



Top, *Distant Voices, Still Lives*, directed by Terence Davies and destined to become a classic. Above, sex and sushi in the Japanese comedy *Tampopo*, by Juzo Itami. Right, Jamie Lee Curtis gets to grips with John Cleese in *A Fish Called Wanda*

There were other films which, though eagerly awaited, smartly wiped the smiles off our faces. Jean-Luc Godard's *King Lear* had Shakespeare spinning so fast in his grave that it was rumoured the dead Bard had opened up a new coal-face under Stratford's Trinity Church. *Sammy And Rosie Get Laid*, from the Frears-Kureishi team which brought us *My Beautiful Laundrette*, was two hours of empurpled radical cheek. And Clint Eastwood's *Bird* brought to mind the famous Shelley poem – "Bird thou never wert" – as it deposited Charlie Parker in the intensive Bio-pic Ward. Here famous artists are subjected to light-deprivation and audiences to joy and laughter deprivation.

The end of the year is also a time when arts page editors demand a word or two about "trends." Despite assuring your editor that trends are things one can usually detect only 20 to 100 years after the event, the critic gamely sets his trend-detector in motion.

If I were a film scholar looking back from the year 2100, I might see the most notable ruck contributed by 1988 to the carpet of film history as the concern with innocence. The 1987 "baby boom" movies of 1987 have been followed this year by films tinkering with age-exchange (*Big*, *Vice Versa*, *Like Father Like Son*), with family growing pains (*Distant Voices, Still Lives*, *A World Apart*) and with child's-eye views of history (*Empire Of The Sun*, *The Last Emperor*). We even had an attempt, in the year's hot potato, Scorsese's *The Last Temptation Of Christ*, to re-cast the story of Christ by replacing what the film-maker deemed "false" innocence (that of a fortified and infallible holiness) with "real" innocence (that of a vulnerable and searching humanity).

The roots of this fascination with the meaning of innocence are puzzling and intriguing. Parochially, the US has perhaps been enjoying its last year as a fools' paradise, or fools' kindergarten, under that lovable old poppa, R. Reagan. On a more global level, the concern with innocence is

My top ten films of the year, in preferential order:
Distant Voices, Still Lives,
The Time To Live And The Time To Die,
Sherman's March,
Family Viewing,
Tampopo,
A Fish Called Wanda,
Cobra Verde,
Broadcast News,
Law Of Desire,
Someone To Watch Over Me.

surely a result of the modern developed world being forced – after long reluctance – to reach out to the undeveloped world: and in doing so to change its own vision of Third World peoples from convenient stereotypes of good or evil, innocence or cruelty (whether noble savage or ravening cannibal) to more complex realities.

Empire Of The Sun and *The Last Emperor* are both bridge-building initiatives between East and West. Werner Herzog's *Cobra Verde* hurls the colonial impulse into a bubbling vat of black comedy and waits to see what casserole results. (Very tasty and rumbustious, I thought, though many did not). And even a movie such as *Good Morning Vietnam* sets out to re-examine the roles of friend and foe, "colonist" and "colonised," in an American war the wounds of which are now healed enough to allow a little comedy.

In a world fast-shrinking as communications grow and continents shake hands across oceans, the most important problem facing the cinema in 1989 and the 1990s will be how to "de-nationalise" itself. How to make the spreading language of moving pictures, beamed out as today not just from the big screen but from video, cable and satellite, ever more communicative, ever more global.

The too easy temptation, especially in Europe, is to opt for the co-production: to create those ghastly disembodied works, full of dubbed actors and polyfilla dialogue, that resemble TV mini-series scripted in Esperanto. Far better to learn from America's new trend for giving different races and ethnic minorities a strong cinematic voice (see the growing Hispanic voice in films like *The Milagro Beanfield War*, *Colors* and *Stand And Deliver*) and to realise that different cultures are to be cherished, not sacrificed to a homogenising cinematic mulch.

This year, unexpected countries across the world have raised their hands from the back of the class and asked to be noticed: Souleymane Cisse's luminous *Yeelen* from Mali, Gabriel Axel's delicate *Babette's Feast* from Denmark, Czech animator Jan Svankmajer's funny-macabre version of Lewis Carroll's *Alice*, Pedro Almodovar's gaily seditious *Law Of Desire* from Spain and Hou Hsiao-Hsien's majestic *The Time To Live And The Time To Die* from Taiwan. If you see any of these titles on a marquee near you in 1989, rush straight into the cinema.

Meanwhile, Hollywood the entertainment factory has continued to throb and hum. What filmgoer could fail to find something to like in one or all of the following?: *Moonstruck*, *Fatal Attraction*, *Someone To Watch Over Me*, *Big*, *Who Framed Roger Rabbit*. All told, 1988 is gone but not forgotten. Long live 1989 and may it prove as worth remembering.

Music: FT critics assess the year

Planning leads to a series of successes

Bartók, Beethoven and Berlioz, Birtwistle, Haydn and Mendelssohn, Messiaen, Reich and Schoenberg and Schubert, not forgetting Shostakovich; anyone who has attended orchestral concerts in London this year without encountering at least one of those composers has chosen very carefully indeed. Thematic planning has ruled unwaveringly, and though there is no doubt that the South Bank Board's rod of iron has renovated the programming in its concert halls to a significant extent – compare the variety and quality in 1988 to, say, 1985 and 1986 – the autumn has been suffocated in series.

The successful events, in the second half of the year at least, have been the complete Shostakovich symphonies which have been shared by Ashkenazy and the RPO and Rostropovich and the LSO, and Georg Solti's short Bartók season with the LPO. The former provided the opportunity to hear those works in the canon that seldom reach the concert hall, and it was astonishing to see capacity audiences at the Festival Hall and the Barbican for both the popular symphonies and rarities such as the Third and Eleventh. Solti's celebration of his compatriot made no pretence of comprehensiveness, but it did bring conducting and playing of singular electricity – one remembers especially the First Piano Concerto with Zoltan Kocsis and *Bluebeard's Castle* with Aage Haugland and Klara Takacs.

The South Bank's Schoenberg tribute, "The Reluctant Revolutionary," arrived with earnestness stamped all over it. It was in the end just too diffuse – too many disparate events had to be brought under its umbrella over too long a period, and the fierce crusading zeal that characterised some of the shorter series could not be sustained. In its early days, though, it did produce a vivid concert performance of Moses und Aron conducted by John Pritchard, in which genuine theatricality was generated most convincingly, no mean achievement in this work.

The Proms also sported a theme, but one – literature – broad enough to allow the spread of programming that such a substantial run of concerts requires. Certainly it generated its fair share of highlights – the semi-staging of Debussy's *Pelléas et Mélisande* conducted by John Eliot Gardiner with a cast led by Diana Montague and François Le Roux; Mahler's *Das Lied von der Erde* conducted by Kurt Sanderling with the BBC Philharmonic, and Bernstein's *Songfest*, exuberantly conducted by the composer.

Georg Solti: a brave if brief Bartók season with the LPO

Among the new works at the Proms three stood out. The jaggedly obsessive *Cheveaux-de-frise* by the Irish composer Gerald Barry at last brought his highly distinctive music to a wider audience, while Trevor Wishart's *Vox VI* completed a cycle of pieces for the extended vocal techniques of Electric Phoenix with an exuberant celebration of rock and rap styles. Michael Finnissy's *Red Earth* proved to be a subdued, somewhat forbidding orchestral evocation of the Australian landscape, in which his familiar spiderish polyphony seemed to be mining a new expressive vein.

In the rest of the year memorable new music seemed rare. The Huddersfield Festival in its tenth year celebrated Stockhausen's 60th birthday with a visit from the composer's own performing troupe and organised the first British performance of his "park music" *Sternklang*, domesticated in a sports hall in deference to the Yorkshire November weather. One of the London Sinfonietta's "Response" weekends brought the British premiere of Heinz Holliger's *Scardanelli Cycle*, built around Hölderlin's life and poetry – thin enough to suggest that as a composer Holliger has latterly lost his way. Undoubtedly the most exciting introductions have come from the Dane Poul Rudders, whose substantial output is gradually being heard here. The highpoint was the first performance here of his large-scale orchestral work *Manhattan Abstraction*, unstoppably energetic and clean cut – no new-music novelty this year has been more thrilling.

The old-music revelation was the Early Music Project's "Berlioz Experience," a weekend-long focus upon period-instrument performances of a composer previously considered outside the gambit of the authenticity movement. The performances of the *Symphonie fantastique* and *Roméo et Juliette* conducted by Roger Norrington with forces scaled to those of Berlioz's time only increased respect for his aural imagination; certainly both works emerged with greater presence and textural precision than in any modernised account.

If such experiments extend the boundaries of authenticity, in what remains its core repertory period-instrument orchestras prospered as never before. Though the cross-over of instrumentalists between the London-based groups often suggested the same core of players appearing under a variety of labels, the Orchestra of the Age of Enlightenment proved the most versatile of these manifestations, in music ranging from Bach to Mendelssohn and Weber, while John Eliot Gardiner conducted an immaculately sung and played account of the *St Matthew Passion* with the English Baroque Soloists.

But it was left to an overdue return visit from the Amsterdam-based Orchestra of the 18th Century under Frans Brüggen to define the current state of the art for period orchestras, combining transcendent virtuosity with absolute musical sense. Brüggen's view of Beethoven's Seventh Symphony, delivered at a cracking pace and bursting with dramatic tension, will remain in the memory for a long time.

Andrew Clements

I heard too little new music this year, but a few pieces stand out in the memory. A Lontano concert in January introduced a lovely French soprano, Edwige Bourdy, with three strings in the *Quatuor II* of Betsy Jolas, whose previous status as a Boulez protégée is now obsolete: the assured original subtleties of her vocal writing make her forthcoming opera a delectable prospect (adventurous companies please note). In February Jo Kondo's *Res sonorae* for the London Sinfonietta suggested an exciting potential too.

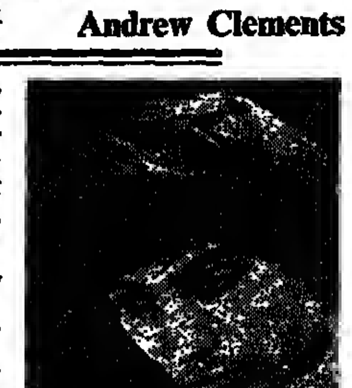
In March, Rozhdestvensky conducted the BBC Symphony in Sofia Gubaidulina's 1986 Symphony "Stimmen . . . verstummen . . .," which like most of her best work seems to rediscover music through returning to its simplest elements. At a St. John's BBC lunchtime concert György Pauk and Ralf Gothoni introduced one of Lutoslawski's most recent virtuoso constructions, his gleaming *Partita* for violin and piano; and in April Heinrich Schiff and Roger Vignoles did as much for his cello-and-piano *Grave* in six characteristically dense and suggestive minutes. Simon Rattle got his CBSO to play Webern's op. 6 pieces radiantly, and Pauk reappeared with them in a sober but exactly piercing account of Berg's violin concerto.

May boasted another Sinfonietta concert with revelations. Szymanowski's cycle *Songs of a Fairy Princess* is not really neglected, but it was marvellously recreated by the soprano Eileen Hulse, as was his richer but quite unknown op. 46 set *Slopiewnie* (with chamber orchestra), a discovery which must not be allowed to lapse into obscurity. There was a bonus in an elegantly clever Triple Sextet by György Urbán, who deserves following up. In another concert Gidon Kremer, supported by Nagano and the LSO, made the most of the passionate ambiguities of Schnittke's Fourth Violin Concerto.

During the Almeida Festival (June/July) Schnittke's Russian Orthodox vein – a crucial factor in his musical makeup – was exposed in his 1976 *Der Sonnengesang* and his recent Concerto for chorus by James Wood's New London group. As usual, the Almeida offered extravagant riches: among them Colin Mathews' masterly new Two Part Invention, and a brilliantly popular Piano Concerto (soloist Yvar Mikhashoff) by Stephen Montague, both played by Richard Bernas and his Music Projects ensemble, and György Kurtág's extended *Kafka Fragments* for soprano and violin (Adrienne Csengery and András Keller), and the Arditti performances of three mocking quartet-studies by Mauricio Kagel as well as Brian Ferneyhough's deadly serious, wilfully complicated new Third Quartet.

At the Edinburgh Festival the hottest tickets were those for the Shostakovich Quartet's magnificent cycle of their name-composer's works in the medium. From this year's Proms I remember Bruckner's Fourth Symphony as superbly laid out by Skrowaczewski and his revitalised Hallé Orchestra – which is not to suggest that Zubin Mehta and the New York Philharmonic did anything less than beautiful justice to that work at the Barbican a couple of weeks earlier. On their heels came Michael Tilson Thomas and the London Symphony (their official first appearance together, as the American conductor took up his new LSO contract) with a Mahler Ninth of keen penetration and expertise.

The mini-festival, or series of "theme" concerts, has proliferated. Presumably it sells more tickets, or is meant to; from the interested consumer's point of view, it has the virtues of bringing specialist interpreters for special music, and of providing reasons for programming works that never figure in the ordinary repertoire. Without the South Bank's Schoenberg festival the Arditti might still have decided to give us their splendid conspectus of his quartets, but we might not have had the inspired BBC/Dohnányi resuscitation of his *Jacob's Ladder* oratorio; nor, without the LPO/Solti Bartók series, the extraordinary *Cantata Profana*. Two new octogenarians were honoured: in future retrospect, I fancy, the lavishness of the Messiaen celebrations will contrast quaintly with the thrifty (though intensive) tributes to Elliott Carter, but I may be wrong.



Michael Tilson Thomas: an expert rendition of Mahler

Some other grateful recollections, culled almost at random. A Schumann *Liederabend* by the tenor Josef Protschka at Bregenz (I fear it may already be too late to find tickets for his January début at the Wigmore), not to mention Fischer-Dieskau's on the South Bank; an electrifying Barbican recital by Kremer and Martha Argerich in February; Barry Tuckwell's revival of the delightful horn concerto Thea Musgrave composed for him in 1971. Among several distinguished accounts of repertory staples, Haydn's "Nelson" Mass by Franz Welser-Möst stood out; and Kurt Masur's Beethoven "Pastoral," and Günter Wand's great Mozart G minor Symphony, and Maria Ewing in Ravel's *Shéhérazade* songs, and the veteran soprano Mady Mesplé in her entire Wigmore recital. The young Carmina Quartet confirmed their remarkable promise, and the young Vogler Quartet turned up as formidable competitors.

David Murray

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Why training needs a lift

THE GOVERNMENT will have to do more than launch a £4m advertising campaign if it is to persuade large companies to take part in its Employment Training programme for the long-term unemployed.

The initiative launched yesterday by Mr Norman Fowler, the Employment Secretary, follows a sustained publicity drive aimed at employers when Employment Training cama into operation in September.

Many large employers are proving reluctant to become involved – but not simply out of ignorance of the benefits claimed for the scheme. The Government will have to overcome a far more deep-seated wariness if its plans are to succeed.

Abont 106,000 people have started training on the £1.5bn a year programme, which is intended to offer an average of six month's training to 600,000 long-term unemployed adults a year. The scheme offers a mix of off-the-job training and work experience with companies.

Getting more large employers to offer work experience placements will be vital if the programme is to meet its target.

Union oppoaition to the scheme has undoubtedly discouraged some large manufacturing companies from participating. But the TUC has recently significantly softened its stance by urging unions to boycott the scheme only as a last resort.

Cautious attitude

The most important explanation for the cautious attitude of large companies is that Employment Training does not complement their recruitment and training plans.

In the service sector, retailers, hotels and catering companies traditionally recruit large numbers of part-time women workers for their basic jobs, rather than young, long-term unemployed men in search of full-time work. Jobs in the customer service sector are becoming more highly skilled, demanding extensive product knowledge. In manufacturing, companies are still shedding labour, especially semi-skilled manual workers.

Many companies suffering from skill shortages, or planning to upgrade their workforce'a skills with the introduction of new technology, prefer to recruit young people, retrain their own staff or take on experienced skilled workers from their rivals.

Moreover, some of the companies involved in the scheme believe it is simply not attracting trainees.

Sir Robert McAlpine, the construction company, is considering curtailing its involvement in ET on the view that trainees are not attracted by the weekly allowance, which is worth about £11 a week more than social security benefits. Of the 3,271 places offered by IBM, Wimpey, John Laing and Imperial Chemical Industries, only 853 have been filled.

High costs

Providing work experience placements can be expensive. Companies are being asked to pay £5 a day per trainee, on top of the costs of the extra superviaion and administration which is required.

To cnt through these concerns, tha Government will have to use both blades of the scissors. Employment Training must be tailored to ensure that training initiatives are more clearly linked at an early stage to local investment decisions.

Local employers could be encouraged to form compacts with the long-term unemployed in their area, at least to put ET trainees on a stand-by list for jobs if they gain vocational qualifications through their training. Trainees could use their stand-by employment status as a form of reference when applying for jobs with other companies.

But perhaps most important of all, the quality of training provided on ET needs to be improved and the scope extended. More resources will be required, and they should be viewed in part as the property of the unemployed themselves.

Where companies are unwilling or unable to use the funds, they should be made available directly to the unemployed to secure training for themselves. ET will only succeed in introdncing large numbers of long-term nnemployed to employers if it also provides them with worthwhile skills.

The gambling mentality

IT HAS ALWAYS been axiomatic in hanking and finance that higher standards of managerial prudence are called for than in industry. That is a price that has to be paid for persuading people to remove their money from the mattress and entrust it to bankers and brokers – or that, at least, is how it used to be perceived. Today there are signs that the appetite for risk in the financial community has been increasing. Does this mean that the ground rules of finance are undergoing an important change?

Certainly there has been no shortage of headlines about lapses in financial control. In 1987, both commercial and investment bankers were in the limelight because of their exposure to issues such as the BP share sale and the Blue Arrow rights call at the time of the October stock market crash.

Now it is the turn of the US regional banks. Before Christmas the Minneapolis-haaed First Bank System revealed losses of $1½bn on a bond portfolio that was large in relation to the hank'a total assets, while First Fidelity Bancorp of New Jersey announced large real estate losses at the recently acquired Philadelphia bank, Fidelcor.

Nasty upsets

The excesses displayed hy US savings and loan institutions, the "thrifts", are becoming a matter of increasing concern in Washington. And there is a general fear that the leveraged huy-out (LBO) business in the US could produce a crop of nasty upsets in the not too distant future.

Taken case hy case this scarcely looks unnsual. But there is, cumulatively, rather more trouble about than might be expected at this point in an unusually long-lived economic recovery. This can largely be rationalised hy regulatory change.

The thrifts, with their dash for high-risk real estate assets to compensate for past losses, are a clear case in point. Yet the same process is now apparent in US commercial banking, where some participants, First Fidelity among them, have seized the opportunity presented by the erosion of interstate banking regulations with a conspicuous lack of caution.

The problem has been compounded for the banks by the loss of large corporate clients to the markets. This leaves a gap in profits from wholesale business that many have sought to fill through active dealing in bonds or in the international equity market in London, where there is no legal dividing line between banks and securities firms. For their part, securities houses in poat-Big Bang London are increasingly dependent on profits generated from trading for their own account.

Bankerly excess

If this amounts to a departure from risk-averse financial habits, it would hardly be surprising. The most spectacular recent example of bankerly excess relates to Third World debt, where scarcely any of those responaihle have been brought to book.

The US deposit insurance system is another inducement to excessive risk taking. And there is a view among bankers that, having lost money on countless "safe" hets – oil, sovereign debt, real estate – they might as well accept that all assets are risky and seek to extract a high price to compensate while taking comfort from their ability to sell loans in secondary markets.

The trouble is that in the heat of the moment the temptation of over-exposure to a single class of risk can prove overwhelming. And secondary markets have a nasty way of drying up at the first hint of crisis.

In the absence of greater financial and human resources being devoted to bank regulation, especially in the US, bigger accidents are inevitable as bank management confronts the huge challenge of deregulation. And in view of the internationalisation of the securities markets, there is an urgent need for a more effective international dimension to the regulatory thrust.

Terry Dodsworth talks to GEC's head about his strategy for the company

Weinstock builds a Euro-future

Lord Weinstock, the 64-year-old managing director of the General Electric Company, has taken what he describes as a hammering from his critics over the last few years. But he has lost none of his capacity for verbal combat. In his sixth-floor office just off Hyde Park Corner, London, surrounded by paintings of his champion racehorses, he contends that the two sweeping international takeover proposals that have stunned the City in the last six weeks should have surprised no one.

GEC, he says, has been talking about such joint venture transactions since he had talks with AEG of West Germany eight years ago. Even before that he had contacts with Olivetti, and he has been floating the idea of de-mergers for several years. The two latest deals – the proposed takeover of Plessey in combination with Siemens, the West German electronics group, and the merger of the group's power engineering division with Alsthom of France – are a logical extension of these projects.

"Everywhere in Europe companies are giving up sovereignty because of the costs involved in research and development. The extent and speed of technological changes are such that no one thinks he is capable of doing it all on his own."

Lord Weinstock's complaints of being perennially misunderstood will surprise no one who has been exposed to his forceful view of Europe's industrial structure.

For more than 20 years, he has sat at the pinnacle of one of the region's largest manufacturing enterprises. From this vantage point he has brought about a sweeping reconstruction of the UK electrical and electronics industry. But increasingly he has been forced to look beyond the shores of "Little Britain," as he calls it, to plot the future of the group.

Hence GEC's strategy in the last few years, he claims, has been directed towards finding ways of breaking out of the landlocked UK market to establish the group on a broader international base. Five years ago, the projects which GEC has now launched would have been impossible. But the combination of technological change and Europe's moves to lower its internal trading barriers by 1992 has provided a powerful stimulant to industrial collaboration.

"Nothing new has happened except that this time these joint projects work. 1992 has changed things. People have woken up."

But why have GEC's critics not taken aboard his long-term strategy for the group? The company's share price has been under pressure since the early 1980s, underperforming the stock market indices for much of the time. Profits growth has been disappointing, and the group has been subject to a swirl of rumours about potential takeover bids.

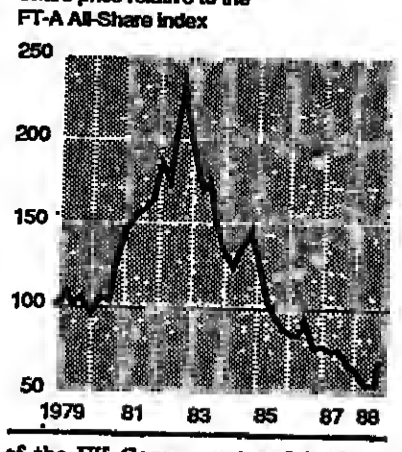
Lord Weinstock's response goes something like this. The large European companies in the electrical and electronic industries, he argues, have grown up in national markets which are being made irrelevant by changes in politics and technology. And although these companies have developed international operations, they suffer from the absence of the large domestic industrial bases enjoyed by their US and Japanese competitors.

"The US is an indigenous market of 250m people with common standards; in Japan we have 120m people living in a tribal society, with close connections between government and the industrial organisations, and where the financial institutions do not place much of a burden on industrial managers' shoulders."

At the same time, GEC's strategy for growth, he believes, has been thwarted by a series of misunderstandings and misfortunes. The company, he says, was hit very hard by the cancellation of the Nimrod early warning aircraft project. Internationally, the decision to give the contract to Boeing of the US seemed to indicate that GEC had lost the confidence of the UK Government and it shook the group's self-confidence. Then there was the "bruising, frontal public relations assault made on us by Plessey" at the time of GEC's last bid for the company in 1985.

GEC

Share price relative to the FT-A All-Share index



These setbacks, and particularly the rejection of the last Plessey bid hy the Monopolies Commission, explain why, in Lord Weinstock's view, the company has not been able to lift itself into a new era of growth.

The offer for Plessey, he argues, was the first step in the strategy of international expansion which made sense for both companies, for the UK, and for the development of European industry. The proposed addition of Plessey to GEC was not designed simply as a domestic industrial rationalisation in the UK. It was aimed also at giving GEC the sort of structure that would make it easier to push through international collaboration agreements.

Here we come to the second point in his grand canvas. Europe, he argues, is not ready for large-scale acquisitions that will reconstruct its industry in the way that his own daring series of takeovers was able to achieve in the UK's electrical industry 20 year ago.

The Continent is peopled by large companies which will cling to their independence, that are relatively invulnerable to takeovers, and which are frequently larger than GEC. Given this situation, one of the great irrelevancies talked about GEC, he says, is its so-called cash mountain. "You cannot go out with £1.5bn and buy a company of the order of magnitude that we need to make any change in the status quo . . . So you have the option of adding bits piecemeal, or doing something holder. And that means coming to arrangements."

These arrangements – a variety of mergers, joint ventures, co-operative deals, research collaborations and so on – are easier, Lord Weinstock argues, when you have the clout to deliver something to your potential partners. Hence his bitterness over the last rejection of the Plessey deal, which would have created a telecommunications group in particular that would have attracted GEC's European peers.

"There is no future for the Plessey company as it is – piecemeal bits-and-pieces acquisitions are not going to save it. I find it disappointing that, whether because of personality problems, or pride, or ancient history, Plessey will not even contemplate looking at things in a sensible way. It was only after the last bid that we got to deal with the glaringly obvious necessity of putting together the telecommunications businesses."

But if GEC and Siemens now pull off their joint bid for Plessey, this would only be the first step out of the cul de sac in which the company has found itself in the last few years. How clear are the next moves?

First of all, says Lord Weinstock, there could be a number of deals like the ones with Siemens and Alsthom. In the Siemens case, the two partners are combining to acquire Plessey in a move that will give each company a larger production base, but allow both to retain control over their businesses. Implicit in the transaction is much wider technological co-operation, but Siemens will still wholly own its own telecommunications division, and GEC will retain total control of Marconi, its defence electronics business. The UK telecommunications operation, majority-owned by GEC, will benefit from Siemens's technological input.

"Everyone thought when the Plessey deal was announced that we would fall in the end under Siemens's domination. That was not at all the intention. We shall go with Siemens as far as we can because we think they are good partners."

The agreement with Alsthom, on the other hand, is a full-blooded merger into which GEC has injected almost a quarter of its assets. Both parties have had to give up the "absolute right to do exactly as we want."

Whatever the differences between the deals, however, they both imply a radically different way of running GEC long-term. How will management control be exercised? How will GEC, a company notoriously keen on tight financial controls exercised through a small headquarters staff, accept a more complex web of relationships? Will the group be able to maintain its financial returns, relatively high by the standards of its Continental partners?

Lord Weinstock concedes that these joint venture companies will be extremely difficult to run unless there is a strong degree of sympathy between the partners. But the common objectives of the co-owners, he believes, should help to iron out problems; and he has refused to allow any sort of break-up agreement in the merger contract with Alsthom on the grounds that companies should not enter marriage thinking of divorce.

At Alsthom, he says, GEC has nominated Mr Jean Pierre Desgeorges as chief executive "because the company has to have a boss. But I shall get monthly reports in the same way as I do now from the operating centres . . . If the personal chemistry is right, we shall get the necessary degree of efficiency. But we shall not tolerate inefficiency in this organisation any more than we do now . . . And I can assume that my counterpart has the same objectives."

At the same time, he expects the financial returns of the combined groups to go up. Indeed, it is thought that one of the attractions of GEC to its new Continental partners may be the fact that it achieves consistently higher profits than they have done in the past – returns that may also be helped by economies of scale.

"There is no longer that strong line which says that the managing director of power systems does exactly what he likes. He has a partner. From the point of view of quick action, that is not the ideal form of organisation, but it is the best available to meet the circumstances."

In the case of the proposed Plessey transaction, Lord Weinstock admits that the agreement is less than ideal from either the managerial or financial point of view. To meet the objections posed two years ago by the Monopolies Commission, GEC's participation in the Plessey defence business will be on an arms-length basis, unless changes "are accepted by the authorities."

Nevertheless, "the basic thing that reduces prices" in a market where there is not a multiplicity of buyers and sellers, he argues, is a lowering of costs. "And in Plessey we shall reduce costs because we shall work together in technological fields. We would have liked to integrate them, but we may not be allowed to do that."

Quite probably, these types of joint venture arrangements may in any case be only an interim stage towards a more radical reorganisation of the European industry. Once companies have learned to work together, penetrating each other's markets more, and seeing strengths and weaknesses in their product lines, they may be ready to do deals that begin to streamline Europe's large conglomerates into companies with specialised prodnct lines that are marketed across all the region's boundaries.

Lord Weinstock will only hint at these sorts of possibilities, but they have clearly been talked about in the company's headquarters and may one day lead to a very different structure for the group.

"We may now start buying and selling companies in terms of exchanges," he says. "Maybe we are going to say to Snooks: You have ambitions to be bigger in this, in which we are not very interested. But we would like to have that, in which yon are not so interested. So can we arrange some sort of swap?"

OBSERVER

George for Deputy

■ The word is out that Sir George Blunden, the silver-haired Deputy Governor of the Bank of England, will leave his post for his second shot at retirement shortly.

Blunden, who turns 66 tomorrow, was brought back from retirement as Deputy Governor in January 1986 and has intimated that he will go sooner than he needs to. His term lasts until December 1990, but the suggestion is that he might move as early as mid-1989.

The man most likely to succeed him is Eddie George, currently the Bank'a executive director for policy and markets. George, now 50, is gracious as well as tough: the confidant of the Prime Minister and the man who helped put lead into Robin Leigh-Pemberton's pistol.

George made his name in the Bank as secretary to the 1972 Morse Committee, set up by the Group of 20 under the auspices of the IMF to think about the world after the collapse of Bretton Woods in 1971. He became assistant to the overseas department (1974), deputy chief cashier (1977), an assistant director (1980) and an executive director (1982).

During the 1980s George established his supremacy over the Bank's management of the markets in London, extending his control to tha foreign exchange markets in 1986, the year be was re-appointed as an executive director.

If he becomes Deputy Governor, what could be the last opening for an executive directorship of consequence for many years will be up for grabs. There are five candidates, four of whom come from George's present division: the other is Tony Coleby (53), tha slightly donnish chief monetary adviser to the Governor.

The four from George's lot who, because of the relative youth, might be known as the brat pack, are: Bill Allen (39), head of the money market division; Michael Foot (42), head of the foreign exchange division; Ian Plenderleith (45), head of the gilt-edged division and an assistant director; and John Townend (41), head of the wholesale markets supervision division.

Monnet money

■ There is more to the Foreign Office scheme to attract French post-graduates to British universities than meets the eye. The idea is that if the four year trial with the French is successful, scholarships will be offered to the rest of the European Community as well.

The awards are called Jean Monnet Scholarships, after the French founding father of the EC. Initially there will be about a dozen a year open to French specialists in business, finance or administration who want to spend a few months at a British university or institute.

Funds have been put up by the Foreign Office and a number of British banks: NatWest, S.G. Warburg Group, Lazard Brothers, Hambros, Kleinwort Benson and the Midland Group. The sum involved is only £50,000 a year for four years, when the scheme will be reviewed.

Late French candidates still have just about time to approach the British Council in Paris. Meanwhile there is something pleasingly ironic about Britain giving scholarships to Europe in the name of Monnet.

"Sell 1988"

Irish meat

■ Larry Goodman, the Irish meat baron apparently sharpening his cleaver over Unigate, is well known for his aversion to being well-known. Yet he did agree to meet journalists in June last year after the Irish Republic's Industrial Development Authority (IDA) poured I£ 30m into a I£ 260m project by his private company, Goodman International, to expand its Irish meat processing capacity.

The IDA was under pressure from Charles Haughey's Fianna Fail Government to put up the funds, one of its biggest ever investments. But not everybody was so keen on so much taxpayer's money being funnelled into an intensely private company only a week after the IDA had suffered the embarrassment of the collapse of a I£ 21m investment in Hyster, the US lift truck maker.

John Bruton, the former Fine Gael finance minister and then opposition industry spokesman, said as much on Irish Radio. At the subsequent press conference to announce the investment, Goodman launched a scathing attack on Bruton that ended only when an uncomfortable Haughey, chairing the conference, leant across and spoke into his ear.

Haughey's smile remained fixed as Goodman turned his attention on journalists asking why he could not have raised the money from private sources such as the Dublin Stock Market. There was no need to when the money was readily available elsewhere, was the reply.

Some awards

■ The man of the year – in British terms – seems to me to have been Lord Mackay of Clashfern. Lord Hailsham may have been an engaging and clever fellow, but he had been around too long and was too identified with the Tory Party to be regarded as a wise Lord Chancellor. Mackay is not only independent; he looks it. He is also a reformer at a time when reform of the legal profession and the law's delays must be one of the most pressing items on the country'a agenda.

The new British problem of the year – apart from the blips in the economy – was Scotland. It is not true that if the Scots become richer, they become happier with their political lot. Old discontents re-emerge. The Scots turned on the Tories in the last general election and are now turning on Labour. They feel remote from London. A wise Government would again be thinking about devolution.

And one of the undiluted pleasures of the year was the seemingly endless stream of good movies from Hollywood: Good Morning Vietnam, Big Business and Big, to name but a few. How can anyone be anti-American when they produce such gems of professionalism?

French charm

■ A Frenchman arrived at Dover determined to show off his English. He went into a restaurant and called for a bloody steak. "And would you like," said the waiter sweetly, "some f . . . potatoes to go with it?"

David Buchan assesses the EC's efforts to get to grips with the future

Irreversible steps to a new Community

This was the first year in which it came to seem possible that the European Community might actually achieve its goal of becoming a single market by the early 1990s – albeit an imperfect market and one which, ironically, would permit freer movement of goods, services and money than of people.

Precisely because of this, it was also a year in which Europe's visionaries began to dream again of further horizons. For Mr Jacques Delors, the European Commission president, and for some leaders of the Community's 12 member states, vistas began to open up of a new social and monetary order in Europe that would cushion workers against the impact of growing business competition and would give the Community, with its 12 national currencies, greater monetary stability.

For others – Mrs Margaret Thatcher, notably – such vistas were at best a mirage and at worst a nightmare. In her now-famous Bruges speech in September, she railed against the prospect of "a European superstate exercising a new dominance from Brussels," a prospect made the more real for her by talk of a European central bank and by plans to harmonise taxes and to spread worker participation around Europe.

What was billed, by everyone including Mrs Thatcher, as a watershed for the Community was last February's reform of farm expenditure, the cause of persistent EC budget over-spending. The twin decisions – to put a lid on farm spending and to increase substantially the overall budget – freed new resources, mainly for structural aid to poorer rural and industrial areas, but also for hi-tech research and development.

This one unquestioned success in reining in the Common Agricultural Policy (CAP) may prove illusory, however. True, for the first time in Community history the 1989 EC budget will cut farm spending in absolute terms. But cyclical factors – such as the US summer drought, which drove up world food prices and thus sharply reduced EC export subsidies – were largely responsible. The jury is still out on whether the Community's price "stabilisers" will really stabilise EC output in the future.

But the February agreement had the merit of ending haggling about money. It paved the way for the smoothest passage of a budget (for 1989) for many a long year, clearing the Community agenda for something with little direct cost – internal market deregulation.

Progress has been remarkably rapid, started, in the first half of the year, by a successful German presidency. The surprise of the second half of the year was the late rush of internal market agreements achieved by the Greek presidency, with much credit due to Ms Vasso Papandreou, the industry minister, now about to take office as an EC Commissioner.

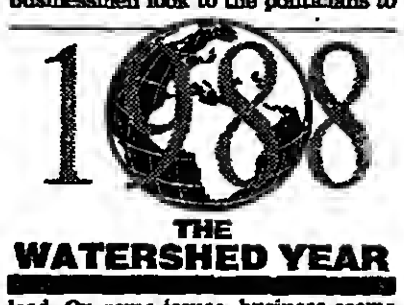
Meant to become a thing of the past: EC grain surpluses

This year has ended with preliminary or final agreement by member states on 135 measures out of the Commission's 279-point plan for a single market by 1992. Back in June, at their Hanover summit, EC leaders formally declared the single market plan to be irreversible. Is it indeed? Yes, if saying so could make it so.

Certainly, it is now unlikely that member states will renege on the vast majority of the 135 measures they have agreed. This is not such an unreal danger, given the lip service alone which many governments in the 1970s and early 1980s paid to Community accords and given the poor implementation record of countries like Italy and Greece. Backsliding by a country like France on a key commitment – such as its legal undertaking to join in the general freeing of all capital flows by mid-1990 – remains a worrying possibility.

And movement is by no means inexorable towards agreement on all 279 Commission proposals by midnight on December 31, 1992. The hardest issues remain. They include tax harmonisation, health standards affecting free movement of food, financial services, free right of residence (as distinct from right of employment), and the catch-all conundrum of where and how to administer tax checks and national security export controls and where and how to police drugs, arms and terrorists without any internal EC border checkpoints.

Perhaps the most telling support for the "irreversibility" argument comes from business behaviour. Generally, businessmen look to the politicians to



lead. On some issues, business seems increasingly impatient with the politicians' foot-dragging; it would like more attention paid to simplifying Europe's differing corporate tax structures and would welcome the clarity of agreed EC merger controls vested in Brussels.

But many companies, both EC and foreign, are already planning their European strategies on the basis of a single market. For most, the logical response to the transformation of 12 markets into one is to concentrate their production, if not sales, facilities in fewer locations to reap economies of scale in the 320m-strong market. This restructuring seems to be the force driving this year's expected 7 per cent increase in EC investment, the highest annual rise for two decades.

If the internal market programme is becoming irreversible, its component measures also have a way of multiplying. One measure seems to lead to another. The classic example is capital movement liberalisation, agreed in June, but with a caveat (at French insistence) that obliges the Commission to come forward very soon with plans to harmonise tax treatment of interest on savings and unearned income and obliges the Council to pronounce on such plans by mid-1989. Resolving this will be one of the trickiest problems facing the Community next year.

Progress in the internal market has also led to calls for matching progress in other areas. That this should surprise anyone shows how few people have read the Single European Act a full three years after it was signed by all 12 governments. For the first time it brought social, environmental, regional and monetary policies into the Community's remit.

The social and monetary aspects are by far the most controversial. A straight run of three socialist governments – Greece in the last half of this year, and Spain and France next year – in the presidency of the EC Council was bound to push social affairs to the fore. The first batch of common rules on health and safety at work were passed this month.

Aiding and abetting this is Mr Delors, whose most graphic quote of the year was that the UK government seemed to regard him as "some kind of red demon fanning the dying embers of socialism." Social affairs will certainly be one of his favourite public platform themes in 1989, but he clearly regards as far more significant his work behind closed doors in Basle as chairman of his special committee. Set up at the Hanover summit and composed largely of central bank governors, this body is due to report next April to EC governments on the next stages towards monetary union.

The committee's recommendations may fall far short of anything resembling a European central bank. Short term, it may advocate modest tinkering with the present system – narrowing intervention margins in the parity grid of the European Monetary System (EMS), or encouraging central banks to make more use of the Ecu in intervention, or even just giving the regular committee of EC central bank governors greater powers for future initiatives.

But it is certain to couple any suggestion with a ringing endorsement of the need for greater macroeconomic policy convergence between member states, if only because a post-1990 Europe of free-flowing money may require that to prevent the EMS flying apart. Repeated Commission calls for economic policy convergence have been so often ignored by national governments that explicit support for the idea from their top money men may be regarded by Mr Delors as no small victory.

At the same time, however, there is a risk that differences over monetary cooperation may compound other divisions. It is the old spectre, in new form, of a two-speed Europe, with geographically peripheral countries such as the UK and Greece keeping their cherished freedom of manoeuvre on exchange rates, tax and frontier controls, and all the rest moving towards each other.

That would mean that 1988-89 would turn out to be a different kind of watershed. Despite all the emerging opportunities for Europe to play a more significant role on the world stage, it would be a time when the Europe of the 12 began to shrink in reality to something more like the old Holy Roman Empire. It would be a time when only those countries with long cultural affinity felt able to move onto new stages of economic, monetary, political and social unity.

LOMBARD

Perils of perestroika

By James Blitz

FORGET ROMANIA, East Germany, Czechoslovakia and Bulgaria for a moment. Their Communist leaders have strained every sinew to keep out glasnost and perestroika. Only in Hungary, Poland and the Soviet Union is reform truly on the agenda.

But on the specific issue of political reform, the Hungarians and Poles have talked much and achieved little. In Hungary, the outcome of recent discussion about a multi-party system is that the country is not going to get competitive elections for several more years.

The party leader, Mr Karoly Grosz, says he is committed to such elections one day and has allowed the non-Communist New Democratic Forum to engage in limited political activity. But the Hungarian Communist leadership knows its intensive economic reform, including more private enterprise and reductions in state subsidies by half, will mean price rises, job losses and ultimately social discontent. This is not the moment for the party to weaken its political grip.

In Poland, the party leadership's primary goal is also economic reform, entailing unpopular cuts in subsidies and price rises. So the Government negotiated with Mr Lech Walesa to give him a limited political voice which would require him to share the burden of unpopular decisions. The talks broke down, because it was one thing for President Wojciech Jaruzelski to seek public support, but to legalise Solidarity (as Mr Walesa demands) would let a colossal cat out of the bag, trampling on economic reforms.

The problem of mixing political and economic reform taxed Lenin in 1921. At the Tenth Party Congress, he introduced the New Economic Policy and a limited degree of privatisation into Russian industry and agriculture. But the same congress passed the Bolsheviks' most authoritarian measure since the revolution: a ban on all factionalism and dissent in the party. Today the Hungarians and Poles are following suit.

Mikhail Gorbachev, however, differs. His main goal is to boost the economy, but he is going full steam for political reform at the same time. The perestroika banner is not simply an economic one, like Lenin's NEP. Perestroika means restructuring politics, economics, the rule-of-law and culture.

Arguably, Mr Gorbachev is fighting a different battle. Economic reconstruction requires big changes in middle-ranking party personnel and bureaucrats. They will obstruct economic reform until they are ousted and March's new multi-candidate elections for party posts may remove more of these obstructions.

But the broad calls for democracy and "political pluralism" have also galvanised a host of dissenters: nationalist groups in the Baltics, Georgia and Armenia are using the new atmosphere to push old claims for regional autonomy. By lifting the lid on political debate, Mr Gorbachev has, at an early stage, unleashed problems that distract him from his economic aims.

And worse is bound to come. Economic reform is difficult medicine for the Soviet public to digest as the General Secretary heard last year in Siberia. There are popular complaints about profiteering in co-operatives and the undermining of the old pillars of the economy. In the face of that discontent, the Soviet leader cannot afford to have visible thorns in his side.

Thus it may be that Mr Gorbachev is pushing political change too soon. In 1989, he should highlight specific elements of the perestroika message, without reducing the long term reform agenda. After the March elections the reform drive could justifiably concentrate on consolidating economic change.

That is not the Soviet goal that the West most wants to see achieved, but a better economy and living standards are the bedrocks for real political change later. Sweeping calls for democracy now, while sweet to our ears, bring opportunities to political groups who have no stake in the economy or in Gorbachev himself. *Perestroika*, by all means, but *perestroika ekonomicheskaya* first.

LETTERS

Transport for London

From Mr David Sawers.

Sir, Your leader writer's Christmas gift to the London traveller (December 22) would, I am sure, have been ridiculed by your commentators if it had come from a politician or public servant.

Tunnelling to excess capacity in London's transport system may be fun, but it is not good economics; London's travellers might welcome it, so long as others paid, but others may wonder why they should subsidise life and business in the richest and most congested part of the country. They may also wonder why your leader writer believes that Londoners have paid for investment outside the town, from which they have not benefited. Do Londoners never venture out on those motorways which radiate from the town?

The demand for additional capacity on London's transport system cannot be estimated accurately when charges on all modes of transport are below the cost of supply. I can imagine how damning the comments in the FT would be if a nationalised industry proposed a massive expansion in capacity because demand exceeded supply, at a time when its charges were far below its costs; but that is precisely what your leader writer proposes for London's transport.

Until charges for all forms of transport equal the economic costs of supply – which means that fares on public transport should reflect marginal costs, and charges for road users should eliminate congestion – it would be impossible to make rational decisions about investment in London's transport system.

The economic benefits from such investment would be the additional journeys which could be mada and tha improved quality of service which could be provided, both of which should be reflected in revenue. Any reduction in road congestion would not be an economic benefit, because it could also be secured by charging an economic price for using the roads – as Sir Alan Walters pointed out some time ago.

If economic charges were made for travel in London, demand would be lower than it is now and employment in London might well decline as well: the present subsidy to London's transport is also a subsidy to London's employment. But some extra capacity might well seem justifiable, both in public transport and roads.

Goods and services can only reach London's businesses by road; and the demand for personal travel around London appears substantially in excess of demand throughout the day at present prices, and might still be in excess of demand at economic prices. But the means by which this demand could best be satisfied would require more careful analysis than your leader writer could supply.

The Financial Times could contribute constructively to the debate on London's transport problems if it could encourage the Government to analyse this issue more profoundly than it appears to have done, as well as encouraging it to remember that the different modes of transport do interact.

The real danger is that decisions on investment in London's transport will be taken on strictly uneconomic criteria, in the absence of information on the true demand for travel. Economic pricing should come before new infrastructure: can you get this message across?

David Sawers,
10 Seaview Avenue,
Angmering-on-Sea,
Littlehampton, West Sussex.

Hardly old-fashioned

From Mr Stanley Crossick.

Sir, Thomas Sharpe's analysis of the draft European Community merger regulation (December 21) places him firmly in his own "Little Englander" category. His conclusion that "the regulation is an old-fashioned bureaucratic response to a limited problem" is not substantiated. Commissioner Sutherland can hardly be regarded as an old-fashioned bureaucrat nor can most of the other supporters of the measure.

Those companies and their advisers who have already been involved in mergers with a Community dimension would not regard the problem as "limited." The use of Articles 85 and 86 of the EEC Treaty to control mergers is unsatisfactory, as is the overlap between EC and national jurisdictions.

Mr Sharpe gives himself away when he concludes that "on principle . . . it is inappropriate to invest the EC Commission with even further powers".

Stanley Crossick,
C&L Belmont, avenue de Tervuren 2 b 3, B-1040 Brussels, Belgium.

Supplying the facts

From Mr Christopher J Whitmey.

Sir, Why, on Christmas Eve of all days, did Eric Short mar his very cogent piece about London Life by including a short paragraph that branded the dissidents as being obstructive on racist grounds ("they do not like Australians") and not being prepared to take action themselves. Please can he supply me with the facts that justify those accusations as true?

Raymond Hughes accurately reported me on Tuesday December 13 1988 as saying in court *inter alia* that I wished to exclude any London Life directors associated in any way with Australian Mutual Provident from making recommendations to the policyholders or chairing meetings.

This is no racist reaction: a straight avoidance of conflict of duty or interest.

As Mr Hughes reported I had sought a 24-hour adjournment on December 12 but this was refused: as was my seeking leave from Mr Justice Hoffmann to appeal.

It appears that I have good grounds for an appeal but I am not: costs and the matters can be raised in court in February.

London Life has repeatedly admitted that AMP has no experience in the same area of life assurance business; they equally admit the Equitable has. I, like others to my knowledge, have had talks with London Life, Equitable, DTI Insurance Division and Inland Revenna Technical Division. On the facts and merit of argument, I believe a merger with Equitable is preferable. But, as Mr Short so clearly highlights, how is this to be achieved? If it were a listed company a counter-offer could be made and the offeree would have to evaluate it and comment.

Of course the Companies Act 1985 does provide an avenue for the dissidents. Under s.376 if I can get 20 per cent of the some 66,000 members – 13,200 – to agree with a circular, of less than 1,000 words, putting my case against the AMP merger and pro-Equitable, then London Life, under penalty of a fine, is bound to circulate it and probably at my expense.

Christopher J Whitmey,
Oldstone Furlong,
Fownhope,
Hereford.

A message to Wearside about 'miracle' recoveries

From Mr Brian J Crangle.

Sir, I read the article on Wearside (December 20) with great interest, partly because I was born and educated there and partly because of my involvement with Consett during its most difficult days.

I was working in Consett when the steel works closed and helped to form the group of local businessmen who established the Derwentside Industrial Developmant Agency, becoming its founder chairman and remaining as such until my move to Doncaster last year.

When the steel works closed in 1980, many people, including highly placed government officials, believed that Consett was doomed. It was said that it would be "the Jarrow of tha 80s", that it would never recover and that it should be left to its own devices.

As is well known, it did recover and many new, real, permanent jobs have been created. There are many reasons for Consett'a recovery. The more important are: government financial assistance, availability of English Estates and local council off-the-shelf factories, and most important, the whole-hearted co-operation of public and private sectors. Government agencies, the local authority and the development agency all worked towards the same end with the same strategy.

While this formula cannot be universally applied, my message to Wearside is that with ths total co-operation and involvement of the local community and the various local and national agencies, you can achieve the same "miracle" as has been achieved elsewhere.

Brian J. Crangle,
DonBAC,
19-21 Hallgate, Doncaster.

FINANCIAL TIMES
Friday December 30 1988

INDIA AND PAKISTAN SEEK TO END MUTUAL SUSPICION

Gandhi and Bhutto on peace path

By Christina Lamb in Islamabad

THE ASIAN sub-continent's two great political dynasties have begun bilateral talks in Islamabad, with Mr Rajiv Gandhi, the Indian Prime Minister, meeting Ms Benazir Bhutto, his newly elected counterpart in Pakistan, for talks which both sides hope will overcome decades of mutual suspicion and bring peace to the region.

Great significance is being attached to Mr Gandhi's arrival for the first formal visit by an Indian Premier in almost 30 years. He is in the Pakistani capital as head of the Indian delegation to the summit of the South Asian nations but has agreed to stay on for the talks.

As the young and glamorous son of a Prime Minister who was assassinated, Mr Gandhi has much in common with Ms Bhutto, whose own father, Pakistan's first elected prime minister, was hanged in 1979.

Both leaders are facing domestic pressure which they are keen to ease by a diplomatic victory abroad and Natwar Singh, the Indian Minister of State for External Affairs, says Mr Gandhi has brought with him major initiatives to break the deadlock between the two countries.

Top of the agenda is the signing of the 1985 spoken agreement between Mr Gandhi and President Zia under which both countries would refrain from attacking each other's nuclear installations.

President Zia always insisted that the country's nuclear programme was purely peaceful. However, just before his death in August he reportedly admitted to a delegation from the Washington-based Carnegie Taskforce that Pakistan's nuclear capability was advanced enough to act as a deterrent against India.

The delegation later observed "both India and Pakistan now perceive each other to be capable of deploying nuclear weapons. This has set the stage for an open-ended arms race."

Although yet to be publicly admitted, it is widely accepted that Pakistan's nuclear installation at Kahuta does have a military role. During the election campaign much ire was raised after a reported statement by Benazir's mother, Nusrat Bhutto, later denied, that Kahuta would be opened to American inspection.

Diplomatic sources predict that, for the first time, India may suggest a long-term troop reduction such as Mr Mikhail Gorbachev, the Soviet leader, recently proposed to Nato. A cultural and trade agreement and easing of visa restrictions are also likely to be discussed.

For the two leaders, this meeting is a replay of 1972, when Mr Gandhi's mother, Indira Gandhi, then Prime Minister, signed the Simla accord with Benazir's father, Zulfikar Ali Bhutto, Pakistan's first elected Prime Minister.

Since then, relations between the two countries have deteriorated, particularly after General Zia seized power in 1977. India accused Pakistan of arming the Sikhs in Punjab, while Pakistan claimed the Indians were behind unrest in Sind, in particular the massacre in September when masked gunmen killed more than 200 people.

However, India has given clear signals that it has more time for the new democratically elected government than it had for Zia's quasi-military regime.

Mr Gandhi sent warm personal congratulations to Ms Bhutto when she was sworn in, since ensuring that no adverse statements against Pakistan have been made. For her part, Ms Bhutto has scrapped Zia's attempts to formalise a no-war pact, instead stating adherence to the Simla accord which provided for bilateral discussions on conflicts.

Differences between the two countries still remain and neither leader can afford to be seen as giving way to the other. Mr Gandhi is expected to demand that Pakistan ends its alleged aid to Sikh extremists, while Ms Bhutto's majority is too tenuous to agree anything which might antagonise the hawkish generals of Pakistan's army.

In the end, the talks may prove little more than a photo-opportunity whose importance lies in the chance to build a personal rapport on which future agreements can be laid.

Technology exchange, Page 3

Bhutto and Gandhi at prayers yesterday before the start of the South Asian nations' summit

Two French girls freed as mother's captivity continues

By Jim Muir in Nicosia

TWO young French girls were on their way home to Paris from the Libyan capital Tripoli last night after nearly 14 months of captivity at the hands of the extremist Palestinian Abu Nidal faction, in what is possibly the strangest kidnapping saga to have taken place in the Middle East in recent years.

The two girls – Virginie Betille, 6, and her sister Marie-Laure, 7 – were handed over to officials at the French embassy in Tripoli late yesterday, and were reunited with their father before leaving to fly to Paris.

The girls were seized with their mother and five Belgian friends by Abu Nidal's Fatah Revolutionary Council while cruising in a converted fishing-boat somewhere in the eastern Mediterranean. The FRC maintained that they were Jewish spies for Israel, though the families insisted they were Roman Catholic.

In keeping with a saga surrounded by mystery from the outset, the release of the two girls was attended by bizarre events. Col Muammar Gaddafi, the Libyan leader, and Abu Nidal himself vied to claim credit for the release.

Abu Nidal's spokesman in Beirut, Mr Walid Khaled, announced at the weekend that the two girls were about to be freed, in response to a Christmas appeal from Col Gaddafi. But nothing happened until the announcement from the official Libyan news agency yesterday that the girls had arrived safe and sound in Benghazi, Libya's western port city.

They must have made good time, assuming – as the French news agency AFP reported – that they came by boat. From Lebanon to Benghazi is about 1,000 miles, and the weather this week has been singularly rough. Some observers suspect that the girls and the other hostages may even have been in Libya since they were snatched in the Mediterranean in November 1987.

The French Government had apparently been secretly negotiating with Libya for their release. By the time the girls were "freed" in Libya, a special French envoy, Leon Bouvier, had been in Tripoli for several days waiting for them.

Also in Tripoli, it transpired, was the colourful figure of Mr Jean-Charles Marchiani, a former intelligence operative, who made several appearances in Beirut under a pseudonym while playing a key cloak-and-dagger role in helping free other French hostages.

The girls' mother, Jacqueline Valente, remains in captivity along with the five Belgian friends with whom she was seized. A year ago, Abu Nidal's men announced that she had given birth to a baby daughter. The father was one of the Belgians, Fernand Houtekins, whose wife Godelieve is also one of the ill-fated yachting party.

Jacqueline is now pregnant again – again by Mr Houtekins. So despite yesterday's releases, Abu Nidal will eventually end up with the same number of hostages as he took.

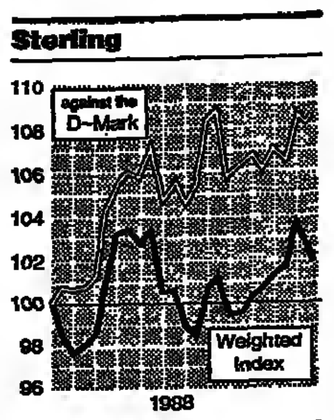
THE LEX COLUMN

Building societies prepare for war

The full effects of the recent sharp slowdown in UK mortgage lending still have to work their way through the system, but it is beginning to look as if the commercial banks and the new generation of mortgage lenders which have erupted onto the market over the last couple of years will be the ones that feel the real pain. NatWest's decision to raise its mortgage rate by a full percentage point, while the Woolwich has only gone for a 0.75 per cent rise, gives a good clue to how the other major players will move. The building societies are once again flush with relatively cheap funds and are intent on undercutting the newcomers.

This is in sharp contrast to 1987 and a good part of 1988 when the building societies were bidding up investor rates to finance their heady growth targets. As a result their retail funds were costing more than wholesale money and the gap between mortgage rates and bank base rates – a good proxy for the competitive balance - had widened from a normal rate of around 1 per cent to well over 2 per cent. The subsequent loss in market share was a bitter blow to the building societies and they are anxious not to repeat the same mistake.

Even after the latest increase in investor rates, the average cost of funds for a building society is probably 75 basis points below that of the banks, and while the Halifax and the Abbey National could probably afford to undercut the Woolwich's 13.5 per cent, NatWest and the other clearing banks should be charging mortgage rates closer to the TSB's 14.2 per cent, if they want to earn anything like a decent return. Losing market share in a growing market is one thing, but conceding market share in a declining market could be very painful for some of the new entrants.



William Collins

Fashionable white knights are wearing large cloaks this season. After Textron's trend-setting anonymous bid for Avdel, the new suitor for William Collins emerged equally heavily veiled yesterday. Guardians of disclosure might regret the fact that shareholders are being deprived of the right to know who is offering the cash before they make up their minds. However, if the alternative is vague holding announcements while the institutions are being sounded out, then perhaps it is better that the price should be in the market for all to see.

In the case of Collins, that price may not be generous, but at least it is a serious approach – which is more than might be said for News International's offer of 37 per cent less. Indeed, if Mr Murdoch was playing by any recognisable rules, he would surely take the money and be glad. However, his peculiar declaration that he will not sell has been made so strongly and repeated so often that it is hard to believe he intends to go back on it - even if the Panel would allow him to do so. On the other hand, he would look pretty silly returning with a knockout bid at close to £10, after having made such an inadequate first shot. The whole affair might seem headed for another stalemate, were it not for the fact that it would be the worst outcome for all parties.

South Africa

Any fund manager who wishes to start the new year with a clean conscience will soon have something to measure it against: an index cleansed of South African influence, to be launched in January by County NatWest WoodMac. Investors with a bias against the sins of the flesh are no new thing in the UK market; but up to now, there has been little demand for an index which removes, on a worldwide basis, all companies which invest directly in South Africa.

The result is an index which looks more like a punt on the Japanese market than anything else. As Japanese companies are not allowed to invest directly in the Republic, they end up with 50 per cent of the World Index while Europe's share falls from its normal 21 per cent to about 14. And in case anyone should doubt the strength of the vested interests opposing sanctions in the UK, nearly half the capitalisation of the UK market falls the apartheid test.

Not surprisingly, the Japanese bias of the index means that managers who had followed it in the first nine months of 1988 would have seen their consciences pay off in a total return 1½ points higher in dollar terms than that of the FT-A World index. But there is a moral paradox here: excluding only those companies which invest directly in South Africa – rather than those which trade with it, or maintain other non-equity links – tilts the index in favour of the very country which has made the most money out of trade with South Africa in recent years. And though it would surely be impossible to exclude every company which had any form of South African link, this bias might be expected to give the truly ethical investor pause for thought.

But those who are likely to find the index most useful – the US public pension funds, some $60bn of whose assets come under legal restrictions against South African investment – seem, for the most part, to be content with avoiding direct investment only. Their UK counterparts look less likely to provide a market for such a product: the legal status of ethically-inspired investment decisions is much less clear in the UK than in the US, and in the current political climate, it seems likely to remain so.

Sterling index

Year-end dementia in the foreign exchange markets is only to be expected, but the move from 77.4 at yesterday's close to a probable 97 this morning in the Bank of England's trade weighted index might seem to be going it a bit. In fact, the weights have been redesigned to match the changing balance of UK trade away from the US and towards Europe; and while the behaviour of the index may not alter radically, the market would do well to pay more notice than previously. For most of the year, the foreign exchanges have single-mindedly viewed exchange rate policy against the £/DM rate alone, whereas the Chancellor has almost certainly been steering a course between the DM and the trade weighted index. With the DM bloc currencies – including the Swiss franc and the Austrian schilling – constituting two thirds of the new index, he might just get away with one measuring stick in the future.

France urges EMS change to speed union

By Peter Norman, Economics Correspondent, in London

FRANCE has proposed institutional changes in the European Monetary System to help advance the goal of economic and monetary union within the European Community.

According to European monetary officials, the country has called for the pooling of a small part of EC central bank reserves and more formalised discussion of national monetary policies among EC central banks as a way of initiating the process of European monetary integration.

The proposals have been put forward in the 17-strong Delors Committee of central bank governors and outside experts. This body was charged by EC leaders at the Hanover summit in June with the task of studying concrete steps for economic and monetary union in the 12-nation bloc.

The committee is now evaluating its members' views with the object of producing a report for EC finance ministers around next April.

The French proposals reflect dissatisfaction with the views of many central banks, such as the West German Bundesbank, which tend to regard monetary union within the Community as the final "crowning" step at the end of a lengthy process of economic and monetary integration.

The officials said France felt that such an approach failed to recognise the integrating potential of modest institutional changes in the process of monetary union.

At the same time, the Bank of France is anxious not to rush ahead with plans for monetary union without progress towards greater economic integration in Europe.

A rushed approach similar to that advocated in February by Mr Valéry Giscard d'Estaing and Mr Helmut Schmidt, respectively the ex-president of France and the former West German Chancellor, would be "too explosive," the officials added.

France believes that the moves it has suggested in the Delors committee would force member central banks to develop monetary co-operation in a practical way. The central banks would, for example, have to work out how they should jointly invest the pooled reserves.

The Bank of France has also suggested that the central banks could use the pooled reserves in currency intervention, possibly in the framework of co-ordinated intervention by the Group of Seven leading industrial countries.

France also believes that the existing committee of EC central bank governors could discuss co-ordination of national monetary policies in greater detail, possibly developing along the lines of the US Federal Open Market Committee, which is the main decision-making body of the US Federal Reserve.

US vows to find bomb culprits

Continued from Page 1

tive in money and manpower.

At present baggage often waits for long periods on airport aprons before being stowed, leaving terrorists the opportunity to plant bombs in individual bags. Only increased surveillance on the apron could prevent this.

The overall view throughout the airline industry yesterday was that the problem of total airport security was almost impossible to solve without big injections of money and manpower, which would have to be passed on to passengers.

Even so, it is accepted that passengers on many international flights, especially to and from the US, will for some considerable time have to accept longer check-in times and more congestion

Warning on UK research cuts

By Peter Marsh in London

BRITISH Government cuts affecting university science departments may be making the UK less attractive as a place for pharmaceutical industry investment, according to a report commissioned by 17 US drugs companies with bases in the UK.

The study, which discusses several factors affecting attitudes of overseas drugs companies towards investing in Britain, was written for the companies by the Economists' Advisory Group, a London-based consultancy.

It follows warnings over the past year from several leading UK drug industry representatives that shortages of funds for pure science in academic institutions may be affecting the sector's outlook.

The report may also strengthen the case of academic researchers arguing that shortages of Government funds for pure science could ultimately hurt science-based industry.

Pharmaceutical industry managers believe the funding problems are particularly acute in scientific disciplines such as chemistry and biology which are directly relevant to the drugs sector.

Shortfalls of cash in academic establishments researching these areas may, according to people in the industry, lead to fewer new scientific ideas which could result in novel healthcare products developed by companies.

Another result could be to reduce the universities' output of scientists.

The UK pharmaceutical business, which spends about £800m a year on R&D, is widely regarded as one of Britain's few successful science-based industries. It has annual sales of about £4bn, of which the British subsidiaries of US-owned companies contribute roughly a quarter.

According to the report, the UK has traditionally been seen as the strongest European country in pure sciences relevant to the drugs industry. The UK lead appears to be slipping, however, because of the shortages of cash.

Rectifying the problem may be difficult, the report says, partly because of the Government's general lack of sympathy for pure science research.

French Revolution runs into a wall of indifference

Continued from Page 1

teau de Vincennes, on the outskirts of the city. On June 26 a monument to the "rights of man", by Ivan Theimer, will be unveiled on the Champ de Mars;

● July 14. "Festival" starting with the inauguration of the new Bastille Opera and "the world's largest ball" on June 13, with military parades;

● August 26. "Homage" to the Declaration of the Rights of Man, with carnival floats from all over the world on the previous day and a concert by Urban Sax in the urban jungle of La Defense;

● September 20-21. "Rallying" round the republic in celebration of the victory of Valmy (actually in 1792, not 1789).

There is indeed a myriad of events and exhibitions planned for 1989, but details sufficiently precise for a tour operator to plan by are hard to obtain. The official Bicentenary Mission programme, for example, gives neither hours nor contact telephone numbers for the events it lists.

The Mission's Minitel videotext service (code B89) promises such epic attractions as a cock-crowing contest at Pompignan in the Languedoc region on July 2, or the "Relais des Cent Culottes," a children's relay race to be held sometime between June 17 and July 14, in a place yet to be specified.

The Maison de la France tourism promotion office has done better, with not only telephone numbers but even, in many cases, ticket prices. It has still not managed, however, to assuage the wrath of the travel industry.

"The Mission doesn't seem to care a bit for the rest of the world," Mr Georges Toromanof, chairman of the French travel agents federation, says.

"The situation is at the moment grotesque," Mr Yves Mourousi, the television presenter who has been trying to organise a series of concerts and events in honour of the Revolution, commented in a recent interview with the magazine L'Evénement du Jeudi.

Mr Mourousi himself has not entirely escaped criticism. He plumbed unsuspected depths with his recent re-staging on the TF1 television station of the trial of Louis XVI, with Mr Leon Zitrone – a sort of French combination of Richard Dimbleby and Eddie Waring – as the presiding judge, and the controversial lawyer Mr Jacques Verges defending the king.

Mr Verges usually takes up lost causes – his clients last year included Mr Klaus Barbie, the Nazi war criminal, as well as Mr Georges Ibrahim Abdallah, the terrorist – but be found himself for a change on the winning side.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	14	57	Malta	S	16	61	Rhodes	R	11	52
Algiers	S	15	59	Edinburgh	C	11	52	Manchester	S	08	46	Rio de J'o	C	37	99
Amsterdam	C	09	48	Faro	S	16	61	Manila	F	32	90	Rome	F	10	50
Athens	F	11	52	Florence	Fg	03	37	Melbourne	S	19	66	Salzburg	S	01	34
Bahrain	C	17	63	Frankfurt	C	10	50	Mexico City	F	07	45	San Francisco	C	08	46
Bangkok	F	31	88	Funchal	C	20	68	Miami	C	26	79	Seoul	C	03	37
Barcelona	C	11	52	Geneva	F	05	41	Milan	Fg	00	32	Singapore	C	30	86
Beirut	C	17	63	Gibraltar	C	16	61	Montreal	R	-3	27	Stockholm	C	04	39
Belfast	F	10	50	Glasgow	C	11	52	Moscow	F	-10	14	Strasbourg	Fg	03	37
Belgrade	Fg	02	36	Guernsey	C	07	45	Munich	F	06	43	Sydney	F	23	73
Berlin	C	10	50	Helsinki	R	04	39	Nairobi	C	24	75	Taipei	C	19	66
Biarritz	S	06	43	H. Kong	C	17	63	Naples	S	14	57	Tangier	S	17	63
Bombay	S	30	86	Innsbruck	S	04	39	Nassau	F	26	79	Tel Aviv	C	15	59
Bordeaux	C	05	41	Inverness	D	08	46	New Delhi	C	21	70	Tenerife	S	21	70
Brussels	C	07	45	Islamabad	F	21	70	New York	C	15	59	Tokyo	F	10	50
Budapest	S	07	45	Istanbul	C	05	41	Nice	S	15	59	Toronto	C	01	34
B. Aires	F	24	75	Jakarta	R	30	86	Nicosia	F	16	61	Tunis	F	16	61
Cairo	F	17	63	Jersey	Fg	07	45	Oporto	S	10	50	Valencia	C	12	54
Cape Town	S	23	73	Jo'burg	R	24	75	Oslo	F	09	48	Venice	Fg	01	34
Caracas	C	23	73	Lima	F	25	77	Paris	C	13	55	Vienna	S	08	46
Casablanca	S	16	61	Lisbon	F	13	55	Peking	S	-1	30	Warsaw	C	07	45
Chicago	C	15	66	London	C	11	52	Prague	C	05	41	Washington	S	-2	28
Cologne	F	11	52	Los Angeles	F	13	55	Reykjavik	H	01	34	Zurich	C	03	37
Copenhagen	C	08	46	Luxembourg	C	08	46								
Corfu	F	16	61	Madrid	C	04	39								
Dallas	F	-2	28	Majorca	F	16	61								
Dublin	F	13	55	Malaga	S	17	63								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Thrifts sale faces political storm

Continued from Page 1

have serious questions about the impact your plans will have on the Federal budget, the competitive balance of the remaining thrift industry and the concentration of power within our financial system."

Congressman Charles Schumer of New York, a prominent member of the House Banking committee, said he was worried that tax breaks made available for the recovery of the ailing thrifts would in fact go to the investors' holding companies. These benefits will be halved at the year's end on Saturday.

Congress will next year consider a comprehensive taxpayer financed bailout of the ailing savings and loans which officials believe total more than 500, concentrated mainly in Texas. Some estimates put the ultimate cost of the rescues at between $75bn and $100bn, while the board, chaired by Mr Danny Wall, has estimated it at around $50bn.

One banking expert on Capitol Hill said yesterday that the chances of unravelling this week's deals were "remote." But he predicted that Congress would re-examine the responsibilities of the Federal Savings and Loans Insurance Corporation (FSLIC) which insures thrifts' deposits.

At present, FSLIC is not obliged to consider potential loss of tax revenue to the US Treasury, the official said. "We may consider that liquidation (of the thrifts) is a cheaper option."

The bail-outs are also expected to lead to a fresh debate about financial regulation

FINANCIAL TIMES
COMPANIES & MARKETS
Friday December 30 1988

INSIDE

Taking another stab at Tootal

"Mr Textiles" of Australia is back at the throat of Tootal, the UK textiles group. Just three years ago Tootal's board breathed a deep, deep sigh of relief when it emerged victorious from a bitterly fought bid battle against Mr Abe Goldberg. Now Goldberg is once again knocking at the door. He has been buying the group's shares anonymously since early November. At the end of last week, it emerged that he had a holding of over 9 per cent. Alice Rawsthorn looks at this latest twist to the Tootal-Goldberg battle. Page 14

Stampede of the Beef Baron

Larry Goodman, the Irish businessman who is commonly referred to in his own country as the "Beef Baron," has built up a 7.9 per cent holding in Unigate, the British, foods, dairy and distribution group. Keiran Cooke looks at the career of one of the Republic of Ireland's richest and most secretive men. Page 14

Gorby Rally stars in a cheerless year on Wall Street

The highlight of a difficult and dull year on Wall Street was the share rally that exploded as Mr Mikhail Gorbachev, the Soviet leader, started his tour of New York. Quickly dubbed the "Gorby Rally", the only disappointment for equity dealers enjoying the first real burst of buying for ages was that the General Secretary did not manage a visit to the market floor to ring the closing bell. "It might, however, have seemed like a symbolic end to capitalism," remarked one dealer. Equity market traders may not sense such an imminent demise, but the assessment of 1988 is a sombre one. Janet Bush explains how the market is still suffering badly from the after-effects of the October 1987 crash and how uncertainties about prospects for the economy have undermined any recovery in confidence. Page 25

Bond's trunk call to Chile

Mr Alan Bond, the acquisitive Australian entrepreneur, has acquired a majority stake in Compania de Telefonos de Chile (CTC), which provides around 95 per cent of the country's domestic telephone services, through a unit of his Hong Kong-listed Bond Corporation International. Under CTC regulations no shareholder may normally own more than 45 per cent of the company, but agreement has been reached giving BCI until August 31, 1992 to reduce its shareholding to below that level. Page 15

Sterling pounds out the profits

Just two years after its creation, Sterling Chemicals and its 900 employees are riding high on surging demand for the company's raw materials — used to produce plastics, fibres and paints. Formed when managers bought a group of Texas commodity-chemical plants from Monsanto, the restructured Sterling, headed by Virgil Waggoner (above), *has boosted profits from* $3.5m in 1985 to $47m last year, allowing staff to sell part of their stake at more than 100 times the original value of the shares. Now the big question is how long the good times will last, writes Peter Marsh in the latest in a series on the US chemical industry. Page 15

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Karstadt	398	+	4
Nixdorf	295.4	+	2.9
Falls			
BASF	279.5	−	3.9
Daimler Benz	738	−	5.5
Schering	595	−	4.5
Volkswagen	348	−	3.5
NEW YORK ($)			
Rises			
Georgia Gulf	76½	+	⅞
Kimberly-Clark	57⅝	+	1⅞
Vista Chemical	50	+	1
Falls			
One Price Clth.	10	−	1¼
Quantum Chem.	105⅞	−	¼
Seeq Tech.	5½	−	¼
PARIS (FFr)			
Rises			
SGE	181.9	+	12.8
Simco	569	+	54.8
Sogerap	347.9	+	12.2
Falls			
Cetelem	610	−	19.3
Epeda B.F.	1100	−	39.5
UIF	538	−	21.1

New York prices as at 12.30pm. Japan markets closed.

LONDON (Pence)			
Rises			
Adwest Group	157	+	15
Bradstock	214	+	12
Century Oil	157	+	7
Chrysalis	136	+	6
Collins (Wm) A	705	+	41
Diploma	134	+	7
Eurotunnel Uts	485	+	14
Gen. Accident	870	+	13
Laing Props.	443	+	12
Lloyds Chemists	151	+	9
Rank Org.	738	+	12
Ratners	177	+	7
Redland	426	+	16
Smith Inds.	258	+	8
Speyhawk	263	+	11
Stanley	283	+	9
Sun Alliance	569½	+	17½
Tottenham Hot.	133	+	23
Transport Dev.	238	+	15
Unigate	349	+	10
Unilever	486	+	11
Utd. Newspaper	378	+	11
VPI	158	+	9
Woolworth	239	+	9

Up against it on Capitol Hill

David Lascelles talks to Danny Wall, the man charged with tackling the US savings banks crisis

Mr Danny Wall has been described as the man with the worst job in Washington. As chairman of the Federal Home Loan Bank Board, he is in the thick of the crisis engulfing the US savings banks.

On average four times a week, he has to rescue some thrift institution somewhere in the US; on Wednesday alone he arranged a mammoth $7bn rescue of six banks. By the end of this year, when certain tax advantages expire, he expects to have dealt with 200 rescue operations at a cost of $40bn.

The crisis has now reached such enormous proportions that no one can even agree on how many billions of dollars are at risk, how many billions more will be needed, or even where they will come from.

Mr Wall's Federal Savings and Loan Insurance Corp, which was set up by Congress to insure depositors against loss, certainly does not have enough money to cope. All this will pose the new Administration of Mr George Bush with one of its most urgent tasks when it comes into office in the new year.

Mr Wall himself, as one would expect of a regulator, tries not to be alarmist. In fact, he has become known – and has made himself highly unpopular in many quarters – for trying to play down the gravity of the situation *and accusing his critics of* exaggeration. "We have got the situation under control and it is beginning to resolve itself," he said in a recent interview.

Mr Wall has occupied the FHLBB hot seat for 17 months, during which time he has had to grapple not merely with the S&Ls themselves, but with the perilous state of the FSLIC's finances, and the politics of Washington where the S&L crisis has constantly been in the headlines (though none of the presidential candidates cared to make it a major election issue).

He came to the job with both specialist and political qualifications. Long an associate of Sen. Jake Garn, the Republican senator from Utah who chaired the Banking Committee, he was an experienced "staffer" on Capitol Hill where he learnt his way around the political corridors. He worked for many years on the banking committee, dealing mainly with regulatory issues, including the 1982 Financial Institutions Act which liberated much of the banking sector from long-standing controls and, in many people's view, helped trigger the S&L crisis.

A neat, quiet-mannered man at first meeting, Wall is nevertheless capable of great bursts of volubility on the subject of S&Ls which suggest a certain pent-up frustration. When asked, for example, what caused the S&L crisis, he readily comes up with not one or two reasons for it, but eight, ranging all the way from market shocks and reckless lending to regulatory breakdowns.

These discourses may be necessary to explain the extraordinarily complex background to the crisis, and to rebut what Mr Wall believes to be the widespread misconceptions about its size and the way it is being handled. But it has enabled his critics to claim that he is a man of words as much as deeds.

Mr Wall, however, is firm about his record which shows, he maintains, that he is about half way through the clean-up job. The number of troubled institutions that was identified last year was 511, with about $40bn to $45bn at risk. In 1987, he dealt with 48 institutions, so far this year he has done 184 more, worth over $35bn. He has concentrated on the biggest ones, which also encourages him to think that the gravest cases have been addressed, even if the rescues are not yet stitched up.

'It's like having one foot in the fire and the other in the ice bucket. On average you're comfortable' — Danny Wall

"There are no big surprises left. But maybe one or two small ones will crawl out from under the carpet," he says.

However, what of the claims made by other people that the crisis is not only much worse than this, but also still growing? The Federal Deposit Insurance Corp, for example, (which insures commercial banks), puts the total losses closer to $70bn, and says they are increasing at the rate of $15bn a year.

Mr Wall dismisses the larger estimates as the work of pessimists who look on the black side of the markets and the cost of rescues – often for their own special reasons. He is specially critical of people who have an interest in exaggerating the problem, like the S&L industry itself which wants to generate political support for a bigger rescue operation.

Sitting, as Mr Wall, does at the centre of it all, receiving daily reports from the S&L battlefront, does he not feel he in the eye of a whirlwind which could cause enormous damage? "No," he replies, "that suggests that it's out of control. We have it under control."

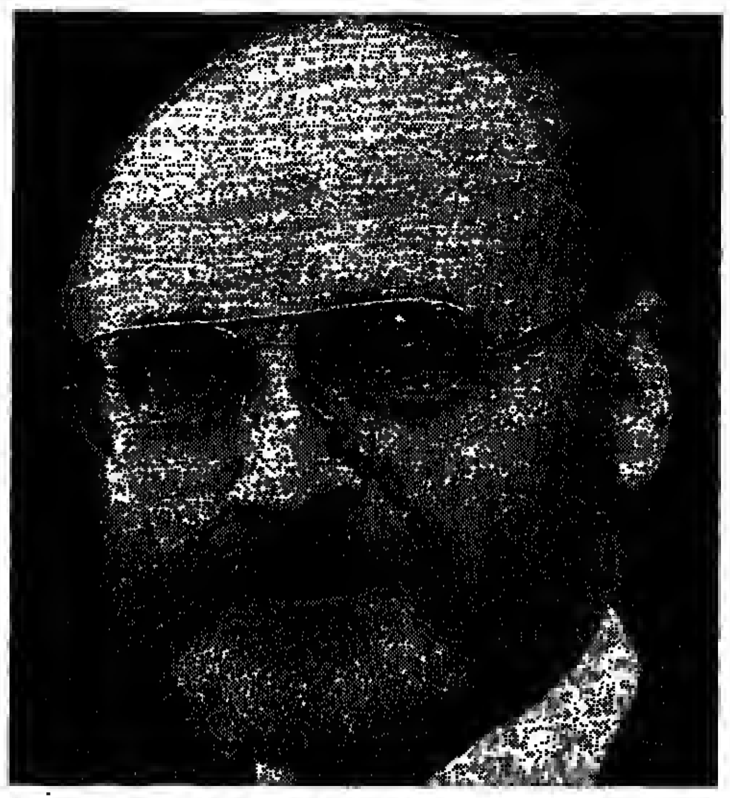
What does strike him as a strange sensation, though, is the contrast between the 20 per cent of the S&L industry which is in dire trouble, and the remaining 80 per cent which is healthy and growing. "It's like having one foot in the fire and the other in the ice bucket. On average, you're comfortable."

There has been a greater urgency in his work in the latter part of this year, not because the situation is getting worse but because some of the tax benefits for institutions which participate in rescues will be eliminated in January.

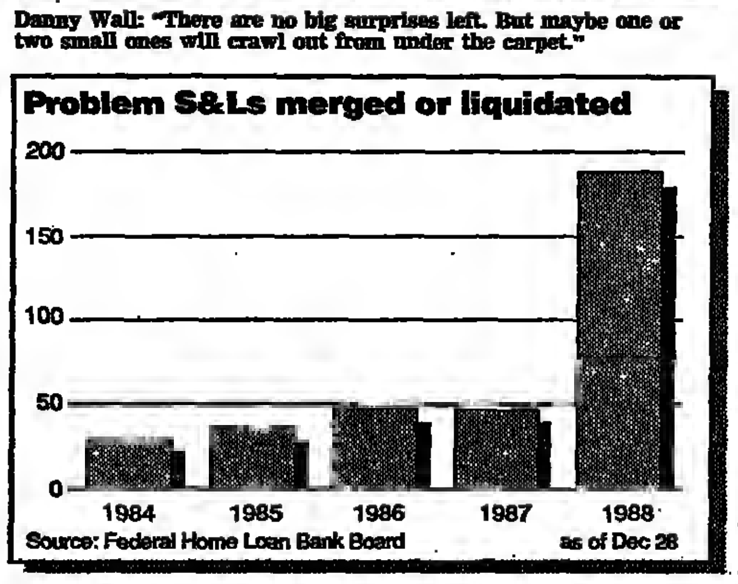
This is one of the political quirks in Congress' handling of the crisis. As part of its overall drive to close tax loopholes and cut the federal budget deficit, Congress will halve the tax *advantages of holding paper* issued by the FSLIC to finance rescues. It will also restrict the use that can be made of the tax losses built up by bankrupt S&Ls when they are bought up by healthy institutions. Then, in *1990, these advantages will be* eliminated altogether.

Much of the controversy surrounding Mr Wall's handling of the crisis has to do with the fact that he has sought merger partners for stricken institutions, rather than dealing them a much-needed *coup de grace*. This, his critics say, may only prolong the problem - or enable entrepreneurs to pick up banking business on the cheap, like celebrated corporate raiders Mr Ronald Perelman and Mr Robert Bass, who participated in this week's rescues.

Mr Wall's reply is that the tight financial constraints under which he is operating demand that he finds the cheapest way out. "And mergers are cheapest", he says. They are also wisest, he claims, because so much of the *S&L problem is concentrated* in a single market, Texas, where a string of closures could prove devastating.



Danny Wall: "There are no big surprises left. But maybe one or two small ones will crawl out from under the carpet."



Besides, he finds an uncomfortable precedent for the alternative course – *picking up all the* pieces himself – in the problems which the FDIC faced when Mid-West farms were going bust in the early 1980s. The FDIC at one point became the largest owner of farmland in Iowa, which meant it could not dispose of its assets without depressing farm values still further and driving other banks to the brink.

No matter how one judges the progress made by Mr Wall, however, he faces an uncertain future.

First, there is the question of how the rescue programme is to *be financed now that the FSLIC* is, itself, virtually bankrupt. Its borrowing authority of $10bn will be fully used up by the end of next year, and the healthy S&Ls are already rebelling against a special levy which was *introduced to boost the FSLIC's pre*mium income.

Mr Wall sees several possibilities. One is an increase in the FSLIC's borrowing power, though Congress would have to decide whether to put that on the Federal budget, or tuck it away off-Budget, in which case FSLIC's credit standing would not be as great, and its borrowing costs higher. Another is "user fees" – making S&L customers pay in the form of stamp duties on loans, for example. A third is a straight appropriation from Congress – *the simplest but least* likely route.

There is also the question of Mr Wall's own fate. The expectation in Washington is that he will be high up on the list of replace*ments when Mr Bush moves in.* One close observer of the FHLBB says: "He will be the first to go." But Mr Wall himself has made plain his willingness to stay, and he says he believes there are people in the new administration *who will be able to formulate* sensible policies to deal with the problem once and for all.

Collins discloses terms of rival bid

By Fiona Thompson in London

WILLIAM COLLINS, the UK publisher fighting a £294m ($525m) hostile bid from Mr Rupert Murdoch's News International, yesterday disclosed the terms of its potential white-knight bid.

While still refusing to name the friendly bidder, Schroders, the merchant bank acting for Collins, said the offers would be 880p for the ordinary shares and 735p for the non-voting "A" shares, with a loan note alternative. This compares with News' offer of 640p and 535p.

Collins' ordinary shares closed 6p up at 845p last night while the "A" shares moved ahead 41p to 705p. The City was still uncertain as to the identity of the mystery bidder although the French publishers Hachette and Presses de la Cite were mentioned.

The white night intended to make offers for the whole of Collins "pre-conditional upon a significant number of ordinary shareholders undertaking irrevo*cably to accept the offers," said* Schroders, which would not quantify "significant."

Greig, Middleton, Collins' stockbroker, was yesterday contacting institutional investors to discuss the offer with them. *Leaving aside the 41.7 per cent* stake in Collins held by News International since its abortive first attempt to gain control of the publisher in 1981, 85 per cent of the remaining shares are held by institutional shareholders.

Greig, *Middleton* had to agree with the Takeover Panel the form and content of the "script" with the institutional investors. As the panel insists on this to ensure shareholders are not being misled, the brokers, if asked by investors whether they expect News International to accept the white knight's offer, will have to say no.

This is because News last week stated that it "categorically will not accept any competing offer in respect of its 41.7 per cent voting stake in Collins."

This situation would change if News, which *has extended* its offer until next Thursday, January 5, allowed it to lapse. It could then accept any offer.

Equally, assuming the white knight did gain 50 plus per cent and its offer was declared uncon*ditional, the panel prohibition* would drop as News would have lost and that battle deemed over.

It is believed the panel would then allow News to accept an offer for its shares. But Mr Peter Stehrenberger, News' finance *director, said last* night he "could not see News selling its Collins' shares even then."

Prudential pays A$98.5m for Aetna's Australasian units

By Nick Bunker in London

A SHAKE-UP IN the Australasian life assurance market has resulted in the UK's Prudential Corporation agreeing to pay A$98.5m (US$84.3m) to take over the local life operations of Aetna Life & Casualty, the US *insurance group.*

The purchase, announced yesterday, also reflects the fact that some US insurers have been selling peripheral operations and focussing on their core businesses at a time when their *domestic profitability* is under pressure.

Prudential already sells life policies in Australia via 960 direct salesmen, and has a life subsidiary in New Zealand. The new move is aimed at achieving economies of scale and strengthening it to compete with National Mutual and Australian Mutual Provident, the two major Australasian life assurance groups.

The acquisition values the Aetna operations at about 1.75 *times their net assets of A$56.7m* and will make Prudential the fifth largest life insurer in Aus*tralia in terms of total annual* premiums. Mr Brian Medhurst, managing director of Prudential's international division, said its Australian sales were growing rapidly, but "we wanted a new lump of basic business that we could put *through our computer* system to reduce our costs."

Prudential's Australia and New Zealand life business had total 1987 annual premiums of A$440m, roughly 5.5 per cent of its worldwide life business. The Aetna operation had total annual premiums of A$109m for the year ended September 30 1988.

The background to the deal lies in the difficulties smaller insurers have faced in Australia since the outbreak in 1986 of a battle for control of distribution outlets.

This involved big life companies offering high commissions and interest-free loans to insurance agents to persuade them to join their direct sales forces.

As a result, some life insurers have withdrawn from the market, most recently Scottish Amicable, which transferred its Australian business to Melbourne-based Colonial Mutual. Mr Medhurst said: "Australia and New Zealand have far too many life companies, and people are finding that you either have to be big to compete with *AMP and National Mutual, or* you get out."

In addition, Aetna had relatively slender reserves in its Australasian life funds, which indirectly caused a A$2.8m pre-tax loss in 1987-8 when it strengthened them with an injection of capital.

Stockbrokers' analysts noted yesterday that Prudential is to finance the acquisition from its policyholders' life funds, rather than from its shareholders' capital. "It's something Pru has done in the past," said Mr David Nisbet of County NatWest WoodMac. "If it's making a high-risk, high-return investment, it uses shareholders' funds, but if it is doing something to produce economies of scale it does it from the life fund."

IBM to take loss on Rolm sale

By Hugo Dixon in London

INTERNATIONAL Business Machines (IBM), the world's largest computer maker, will absorb a hefty loss on the sale of most of Rolm, its US telecommunications subsidiary, to Siemens.

The West German electronics group will pay *IBM* between $844m and $1.15bn, depending among other things on Rolm's future profitability. This compares with the $1.5bn IBM paid to buy Rolm in 1984.

Financial details of the deal were not revealed when IBM announced the sale of most of Rolm earlier this month. However, they appear in the fine print at the end of the formal offer document that Siemens has put out with GEC of the UK in their joint bid for Plessey, the UK electronics company.

The Rolm deal represents a major retreat by IBM from its strategy for building up its presence in the telecommunications industry.

It originally embarked on this strategy in the belief *that* computer and telecommunications technologies were converging, but this convergence has taken longer to happen than many predicted.

In the meantime, Rolm has made losses of about $100m a year, mainly because of competitive conditions in the market for computerised switchboards (PBXs), of which it is a leading supplier.

Although it is clear that IBM has made a substantial loss on its Rolm acquisition, the complexity of its deal with Siemens makes it difficult to calculate a precise figure.

Siemens is acquiring Rolm's manufacturing, engineering and development business in the US. IBM, however, will continue to own half of a joint marketing and service company in the US, and there will also be some co-operation on international distribution.

UK COMPANY NEWS

Mr Textiles picks up the threads

Alice Rawsthorn looks at Abe Goldberg's fresh assault on Tootal

THREE YEARS ago the board of Tootal, the textile group, breathed a deep, deep sigh of relief when it emerged victorious from a bitterly fought bid battle against Mr Abe Goldberg, the "Mr Textiles" of Australia.

Tootal now faces the threat of a renewed battle with Mr Goldberg. He has been buying the group's shares anonymously since early November. At the end of last week, it emerged that he had amassed a holding of over 9 per cent.

Tootal has had no formal contact with Mr Goldberg since December 1985 when he sold the 29.9 per cent stake he had acquired during his unsuccessful bid and relinquished his seat on the board.

Mr Goldberg then returned to Australia and to his textile and mining interests. Tootal concentrated on completing the reorganisation of its activities under a new management team headed by Mr Geoffrey Maddrell, who joined from Bowater Scott early in 1986.

This autumn Mr Goldberg returned to Tootal. Its shares, like those of all the major UK textile groups, have performed poorly in 1988, reflecting the problems of the textile industry, which has been hit by a sudden surge of imports.

From time to time all the major groups were clouded by bid speculation. Tootal was no exception. On an eutumn visit to London, Mr Goldberg heard rumours that DMC – an ambitious French textile concern thet has been mooted as a potential predator for a string of companies, from Dominion in Canada to Dawson in Scotland – was considering a bid for Tootal.

He instructed Cazenove, which acted as his broker in the abortive 1985 bid, to buy Tootal shares. By the time he was obliged, under terms of the Companies Act, to declare his holding – five working days after his stake had reached 5 per cent – he had spent about £28m on a 9.22 per cent stake in Tootal.

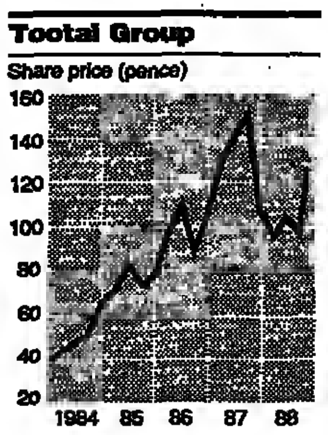
Mr Goldberg claims he has "not yet decided" whether or not to mount a second bid for Tootal. He says that he plans to contact the Tootal board and will then consider his position.

The London analysts, who have been attempting to unravel the twists and turns in the reshuffling of his Australian interests, suspect that he may find it hard to finance a bid for the group. Tootal is now capitalised at over £350m, compared with the £128m that he offered in 1985.

But Mr Goldberg has a wide range of interests in Australia including Linter, the largest textile group in the country. His associates claim that funds would be made available, should he stage a bid.

Yet Tootal is in a stronger position than when it first tussled with its Australian adversary three years ago. It was then in the final throes of restructuring after the damage wrought by the recession of the early 1980s.

All the major UK textile groups suffered in the recession. But Tootal – the creation of e motley assortment of textile mergers in the 1960s and 1970s – suffered more than most. Its restructuring was



scarred by savage cuts and closures.

In 1985, when Mr Goldberg pounced, the worst of the cuts were over. But the prospects for Tootal's surviving interests – its international sewing thread businesses and UK textile companies – were somewhat precarious. The group was also burdened by hefty borrowings. It staved off Mr Goldberg chiefly thanks to the last minute intervention of J. Rothschild Holdings, the investment company controlled by Mr Jacob Rothschild.

Tootal is now in better shape. Mr Maddrell is one of the cadre of business school strategists who have remoulded UK manufacturing in the 1980s. Even his critics, who complain that his management style is unimaginative, accept that he has added a sorely needed strategy to Tootal.

The group's thread interests have been expanded by the development of joint ventures in China: providing a source of low cost yarn. Its US thread companies, traditionally the weakest area of activity, have been strengthened by the acquisition of Standard-Coosa-Thatcher.

The central tenet of Mr Maddrell's strategy has been to use the cash generated by thread to increase Tootal's involvement in areas of higher quality earnings than traditional textiles.

One of the early attempts at diversification – into stationery distribution in the UK – has not been entirely successful.

But a recent rights issue has eased the financial constraints on Tootal. It has already used the proceeds to increase its involvement in the profitable area of non-woven, or high tech, textiles and to finance new ventures in China. It now plans to expand its clothing interests.

At a time in which both Courtaulds and Coats Viyella face falling profits from textiles, Tootal looks much more resilient. It boosted pre-tax profits by 15 per cent to £19m on sales of £229m in the six months to September 30. The City expects a further increase to £47m for the full financial year.

Tootal could be in the happy position of congratulating itself for weathering the storm in UK textiles and concentrating on a search for new acquisitions. Instead, it faces the threat of an unsolicited bid from Mr Goldberg: or from whomever else he might sell his holding to.

County NatWest splits with Blue Arrow

By David Waller

BLUE ARROW and County NatWest, investment banking arm of the National Westminster bank, have parted company. Lazard Brothers has replaced County as the employment agency's principal financial adviser.

The move comes nearly a fortnight after Lord Young, Secretary of State for Trade and Industry, ordered a Government investigation into the role County played in Blue Arrow's £659m takeover of Manpower, US employment agency, in the summer of 1987.

The parting was not unexpected, given the embarrassment to Blue Arrow caused by the aftermath of the £837m rights issue to fund the acquisition. The issue flopped, leaving County with a 9.5 per cent stake in Blue Arrow.

A statement from County said together with Blue Arrow it had reviewed its position after Lord Young's announcement on December 19. They had agreed that in view of the bank's position as a major shareholder it should stand down as the main financial advisor.

No-one from Blue Arrow or County was available to answer questions yesterday, although it is thought that County's commitment not to sell its stake before August next year will still stand.

●Mr Tony Berry, chairman of Blue Arrow, was active elsewhere in the market yesterday. He increased his holding in Tottenham Hotspur football club by 400,000 shares, taking his holding to 7.86 per cent. The news prompted e spurt in the Tottenham share price, which ended the day 23p up at 133p.

Stampeding to success

Keiran Cooke on the career of Larry Goodman

LARRY GOODMAN, the Irish businessman who has built up a 7.9 per cent holding in Unigate, the UK food, dairy and distribution group, is commonly referred to in his own country as "Mister Meat" or "The Beef Baron." He is one of the Republic of Ireland's richest and most secretive men.

In a business renowned for its sharp dealing and toughness, Mr Goodman has a reputation as the toughest and most ruthless of them all. Along with such entrepreneurs as Mr Tony Ryan, head of the aircraft leasing group GPA, Mr Micheal Smurfit of the Jefferson Smurfit paper and packaging group, and Mr Tony O'Reilly, head of Heinz and the Dublin-based Independent Newspapers, Mr Goodman is a man of considerable influence in Irish political and economic circles.

His privately held Goodman International is now the biggest meat processing and exporting company in the EEC. Its turnover, estimated at I£700m (£588m), is equivalent to about 5 per cent of the Irish Republic's GNP.

He is very much the local boy who has made good, both respected and resented in his home territory. His family were cattle dealers in County Louth.

Mr Goodman himself started off in the meat trade as a teenager buying and selling offal. In 1962, he set up Anglo-Irish Beef Processors to export beef to the UK and France. He acquired his first meat processing factory in 1966.

AIBP, Goodman's meat processing subsidiary, now has more than 30 plants and outlets, many of them in the UK.

In all, Goodman now controls more than 80 companies. Yet little is known as to how "The Beef Baron" achieved his remarkable sneccess. He was certainly the right man at the right time when Ireland joined the EEC in 1973.

EEC funds meant more money for Irish agriculture, more investment in beef stock. Beef exports, attracted by EEC export subsidies and the intervention policy, increased dramatically.

Mr Goodman was the native pioneer of the "value added" process: slaughtering, processing and packaging beef and utilising every possible part of the animal.

Over the years, he has diversified into other livestock and various agribusiness activities. Companies controlled or majority owned by Mr Goodman are now involved in everything from jam-making to food storage to animal protein manufacture.

Goodman companies now claim to have a 20 per cent share of the Irish Republic'e grain handling and processing industry. Such overwhelming power and influence by one man on Ireland's agricultural sector, pivotal to the country's economy, has caused concern in many quarters.

His business methods, particularly highly secretive ways of operating, have been questioned. Unions and small farmers' organisations have frequently crossed swords with him.

Mr Goodman is said to be on very close terms with Mr Charles Haughey, the Prime Minister, and his governing Fianna Fail party. Questions continue to be asked as to the method by which Mr Goodman's companies are granted export subsidies by the Irish Government on behalf of the EEC.

Last year Mr Goodman announced an I£260m investment plan which would create more than 600 jobs at meat processing plants around Ireland. Considerabla Government funding was given to the project. Critics say there is as yet no sign of the promised new jobs materialising.

By far the most controversial move of Mr Goodman's career to date has been expansion into the Co-operative movement, one of the economic foundation stones of the Irish state.

After a long and often vitriolic battle earlier this year, Mr Goodman took control of Baileboro, a co-op with 4,500 members.

Other moves into the dairy sector have not been so successful. Last month, members of Leckpatrick Co-op in Northern Ireland rejected a I£40m bid from Mr Goodman. Loyalist members were reported to be fearful about takeover by a powerful company from the South.

In mid-year, Goodman International injected all non-meat activities into Merchants Warehousing, e publicly quoted shell company which has been renamed Food Industries.

With a market value of I£80m, Food Industries, 70 per cent owned by Goodman International, is now among the top 20 companies on the Irish Stock Exchange.

Mr Goodman has granted Food Industries a five-year option to purchase all or any of his 7.9 per cent stake in Unigate, and any other shares he may acquire, at cost price plus 4 per cent.

Unigate is Mr Goodman's first overseas move in the non-beef area and is seen as a prelude to bigger things, although any outright takeover bid is thought unlikely at present. Unigate already has interests in Ireland both north and south of the border, and Mr Goodman could be seeking to take control of these operations in order to consolidate his base at home.

Reorganisation hits Flexello

The costs of reorganising sites at Slough and Swindon cut deeply into the profits of Flexello Castors & Wheels for the year ended September 30.

After taking account of exceptional expenses amounting to £489,000, profits at the pre-tax level fell from £752,961 to £329,535. The dividend for the year, however, is being lifted from 4.5p to 4.9p via a final of 3.4p.

Turnover expended by almost £1m to £14.46m. Tax was cut to £121,189 (£302,922) and earnings per share emerged 7.3p down at 6.3p.

Carless prolongs its Kelt tussle

By Nikki Tait

THE LONG-RUNNING tussle between Kelt Energy and its bid target, Carless, the larger oil independent, failed to reach its denouement yesterday, when Carless directors said that they had asked their advisers to clarify certain matters with the predator.

The board, which met yesterday morning, said that it would advise shareholders what to do once these discussions had been concluded.

The Kelt offer was declared wholly unconditional earlier this week, and the bidder has said that its cash alternative would be closed off on January 12.

Elaborating on the statement, Carless' advisers, Hambro Magan, said that the matters involved included Kelt's intentions towards "employees, options, pensioners" and similar topics. They added that the Carless directors also wanted to be "reasonably comfortable with the bidder'a financial arrangements".

The advisers, having met for the first time on Wednesday, saw each other again yesterday, with a further meeting due today. Both sides agreed that discussions were taking place in a cordial spirit.

However, it was unlikely that the Carless board would write to shareholders until after the New Year break.

Textron/Avdel

Textron, large US conglomerate, now controls 44.2 per cent of Avdel, fasteners group, for which it is making a £125m offer, following the acquisition of 200,000 shares and the exercise by Avdel directors of certain share options and the assenting of them to the offer. Banner Industries, a rival bidder, owns 42.7 per cent.

Humberside Elec

Humberside Electronic Controls has asked for its shares to be suspended pending an announcement. At the suspension price of 18p, the USM-qnoted machine tool rebuilder is valued at £5.4m.

Wardle extends its £82m offer for Armstrong

By Clare Pearson

WARDLE STOREYS, plastic products and security equipment group, yesterday extended its £82m hostile offer for Armstrong Equipment, car components and industrial fasteners group, until January 18, having received acceptances in respect of just 3.85 per cent of the shares.

Of the 2.05m ordinary shares for which valid acceptances have been received, 1.34m are held by an associate of Wardle. The number of shares in other hands which have been validly assented has increased by 116,425 to 707,218 since the first closing date on December 13.

Armstrong said it would post to shareholders this week a second defence document, which is expected to inclnde a profits forecast. It said tha level of acceptances highlighted the inadequacies of Wardle's current offer.

Armstrong's shares closed 2p up at 164p after the announcement yesterday, 9p higher than the value attributed to them by Wardle's offer of three of its own shares and 640p in cash for every 16.

Poor response for Rodamco offer

By Nikki Tait

RODAMCO, the Dutch property investment company which is waging a £1.3bn bid bettle for Hammerson, Britain's third largest property company, announced that it controlled around 3 per cent of its target's voting rights by yesterday's first closing date. The offer is being extended to January 20.

Acceptances have been received in respect of just 975 Hammerson ordinary shares and 110,000 "A" shares – 0.003 per cent and 0.085 per cent of the respective share classes. However, Rodamco itself already owns 545,000 ordinary shares and 6.87m of the "A" shares.

Last night the Hammerson camp dsscribed the level of acceptancas as unsurprising bnt "quite pathetic."

Since the bid was announced the Hammerson share price has remained well in excess of Rodamco's offer price, and the market is now awaiting news of the up-to-date asset valuation from Hammerson – which it is required to release by day 39 of the bid.

Cambrian suitor lifts voting stake

By Nikki Tait

Lencadia National Corporation, a US group making e £67.9m offer for Cambrian & General Securites, the UK investment trust which was once e vehicle for convicted US insider trader Mr Ivan Boesky, yesterday claimed control of 37 per cent of its target's voting rights.

It already owns 18m Cambrian ordinary shares and 1m capital shares – in total, 31.23 per cent of the voting rights. Acceptances were received by the first closing date on Wednesday in respect of 1.86m ordinary shares (4.1 per cent of that class) and 1.68m capital ahares (10.8 per cent of that class).

With the bid temperature not expected to heat up again until after the New Year break, Leucadia is extending its offer until January 12.

Iceland senses victory

By Clare Pearson

HOPES WERE running high last night at Iceland Frozen Foods that today'a 1pm closing deadline would clinch victory for its long-running £234m takeover bid for Bejam Group.

N.M. Rothschild, Iceland's adviser, said it was "growingly optimistic" of success after further share purchases and a large number of acceptances. These were still being checked but it expected to make an announcement before the weekend and possibly this morning.

Iceland moved a hair's breadth from victory just before Christmas when it said it had acceptances covering 49.5 per cent of the shares, although not all of these had valid cover under takeover rules. In the face of active trading over the last two days, the market has coma to assume that Iceland will have picked up enough shares to secure a controlling interest.

Iceland'a shares, which it is feared may fall if the Bejam offer goes through, closed 1p down at 309p yesterdey. Bejem's shares were unchanged at 174p, some 13p below the value attributed to them by the all-share bid.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Royal Trust Dollar Income Fund.
Final- Bermuda International Bond Fund.

FUTURE DATES

Interims-	
Howden Group	Jan. 10
R.E.A.	Jan. 3
Thornton Oriental	Jan. 6
Finals-	
Alexanders Holdings	Jan. 10
Allied Textile	Jan. 30
London Scottish Bank	Jan. 18
Spica	Jan. 24
TSB	Jan. 11

هكذا من الأصل

INTERNATIONAL COMPANIES AND FINANCE

US short rates anticipate tighter monetary policy

By Janet Bush in New York and Katherine Campbell and Norma Cohen in London

US TREASURY bonds yesterday traded in an extremely narrow range, scoring gains by mid-session of around ⅛ point along the yield curve, which remains inverted as short rates continue to anticipate a further tightening in monetary policy.

The yield on the 8.5 per cent bond due to mature in 1991 was quoted at 9.16 per cent at mid-session while the yield on the Treasury's benchmark 30-year issue stood at 8.992 per cent.

Trading was quiet yesterday with the dollar doing very little. The currency was quoted at Y125.85 at mid-session compared with highs and lows of Y126.30 and Y125.125 respectively. Against the West German D-Mark, it was quoted at DM1.7880, compared with an earlier high of DM1.7956 and a low of DM1.7840.

The high Fed funds rate is keeping an upward pressure on yields at the short end of the yield curve. Yesterday the market had to absorb an auction of $7.25bn four-year notes after Monday's rather flat sale of two-year paper.

THE EUROBOND markets ended one of the most sluggish days of the year with trading rooms half-staffed and syndicate departments on skeleton crews. Dollar Eurobonds closed fractionally lower where changed but turnover was so light the price changes were meaningless.

But the dollar's recent strength has concentrated the minds of syndicate officials on the new issues calendar for 1989 and the possibility of several jumbo dollar-denominated issues for sovereign borrowers.

If the dollar's strength remains, Belgium is expected to revive its plans for a $400m Eurobond in early January, possibly using proceeds to call an existing floating rate Eurobond callable in 1989. Belgium also has a $100m floater callable in 1989, which it could refinance.

Market sources said that Belgium had tentatively assigned a mandate for a $400m 10-year Eurobond with a put at five years and a call option at seven years, with placement of securities targeted into Japan.

INTERNATIONAL BONDS

The plans were rescinded in November when market conditions for dollar bonds soured.

But lead managers are said to be lining up meetings with several other sovereigns borrowers who have floating-rate notes either maturing or callable in 1989. These securities can be refinanced more cheaply in fixed-rate funds and swapped into floating rates.

Separately, a single new issue emerged yesterday, a Y12.5bn 4½-year bond for Crediop Finance, e unit of the Italian finance agency, Crediop. The bonds, guaranteed by the parent, carry a coupon of 5 per cent and are priced at 101⅞.

In West Germany, bond prices were virtually unchanged in thin trading. The new DM200m five-year Eurobond for Volkswagen International Finance is still trading outside its fees.

UK GOVERNMENT bond traders get a half day off today since Liffe opted to close at midday in line with the cash market. Trading is likely to be even quieter than yesterday.

One of the few perky markets was in Denmark. Although trading was largely confined to brokerage houses and banks, long bonds closed at year highs. The benchmark 20-year 9 per cent mortgage bond due 2006 closed at 98.45, and traders hinted that it might test the 99.00 level today.

Yesterday's optimism sprang partly from local press reports thet the Government was working on a package that might include wage cuts of 10 per cent and a 2 per cent reduction in income tax.

In Sweden prices rose on some quite active buying. Some players were positioning themselves ahead of the turnover tax to be introduced in the New Year. The key five-year government bond ended to yield 10.84 per cent, some six basis points lower on the day.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	108-08	-7/32	10.76	10.84	11.00
		8.750	9/97	92-04	-8/32	10.13	10.08	10.22
		9.000	10/08	97-28	-5/32	9.25	9.20	9.18
US TREASURY		8.875	11/98	97-28	+0/32	9.18	9.05	9.13
		9.000	11/18	99-31	+3/32	9.00	8.94	e13
JAPAN	No 105	5.000	12/97	102.8040	-0.001	4.56	4.49	4.57
	No 2	5.700	3/07	109.0680	-0.001	4.77	4.75	4.88
GERMANY		6.750	8/98	101.2000	-	6.60	6.56	6.48
FRANCE	BTAN	8.000	10/93	97.8478	-0.037	8.80	6.60	8.56
	OAT	9.600	5/98	104.9000	-0.150	8.70	8.61	8.75
CANADA		10.250	12/98	100.4500	-0.175	10.17	10.09	10.13
NETHERLANDS		8.7500	10/98	101.5000	-0.025	6.81	6.58	6.53
AUSTRALIA		12.500	1/98	98.0080	-0.001	12.87	12.90	12.46

London closing, *denotes New York morning session.
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 29

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93¾	94¼	0	+0¾	9.79
A/S Eksportfinans 7⅛ 92	150	93⅛	93½	+0¼	-0¼	9.90
B.F.C.E. 7 92	150	92⅜	92¾	+0⅛	0	9.77
Brit. Tel. Fin. 9⅜ 96	250	97⅞	98	0	-0⅛	9.73
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅞	102½	0	0	4.70
Belgium 4⅝ 94	45	98½	98¾	0	0	4.91
Canada 4⅛ 92	80	99⅜	99⅞	0	0	4.60
Elec. De France 5¼ 94	20	101¼	101½	0	0	4.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.99
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.52
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.75
World Bank 5⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.56

Average price change... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.73
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.01
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.34
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.23
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.49
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.63
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.67
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.39
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.61
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.78
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.76
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.36
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.15
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.34
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.86
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.15
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.86
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.63
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.58
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.95
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.11
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.50

DEUTSCHE MARK STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. [illegible]

Convertible Bonds: Denominated in dollars unless otherwise indicated. [illegible]

France sets bond sales target of FFr100bn

By George Graham in Paris

THE FRENCH Government has announced a bond market borrowing target for 1989 of FFr80bn to FFr100bn ($16.4bn) in line with the planned reduction in the budget deficit to FFr100bn. Bond issues in 1988 totalled FFr109.1bn.

The bonds will be issued mainly at the monthly Treasury bond auctions, but the Government also confirmed it planned to issue a medium to long-term bond denominated in Ecus, the European basket of currencies, to be syndicated in France and overseas. Authorisation for this bond has been included in the budget bill for 1989.

The Treasury will continue to issue the floating rate OAT TRB 1993, indexed on the yield of the weekly auction of three month Treasury bills, but will create four new lines of stock for 1989.

Fixed interest bonds with maturities at 10 and 15 years will replace the OAT 9.5 per cent 1998 and OAT 8.5 per cent 2002 issues, but the seven year OAT 8.7 per cent 1995 will be dropped from the auction calendar and e new 30 year stock will be created in place of the 25 year bond issued this year.

The 25 year OAT 8.5 per cent 2012 was already the longest French government bond in issue, but the Treasury has been working to extend the everage maturity of government debt, and bond market dealers advised there was demand for an even longer stock.

Domestic life insurance companies have bought the 2012 bond, but some dealers believe that by moving to a 30 year maturity, the French Government may also attract foreign investors, especially Japanese institutions.

A further 12 year floating rate bond, OAT TME 2001 indexed on the average yield of 7 to 15 year government bonds, will also be created.

Every auction, conducted on the first Thursday of each month, will include the new 10 year bond, one of the two floating rate bonds and either the 15 year or the 30 year bond.

Nokia increases holding in Salora to 97%

By Olli Virtanen in Helsinki

NOKIA, THE Finnish electronics group, hes increased its holding in Salora, the consumer electronics subsidiary by 36 per cent to 97 per cent after buying the stake owned by Hollming, the Finnish shipbuilding company. The purchase price was not disclosed.

The deal ends e bitter dispute between the two companies over Salora and its role in the Nokia group.

Nokia acquired the majority of Salora in 1984 while Hollming remained e minority shareholder. Since then Hollming has aimed to develop Salora as an independent company while Nokia wanted to merge the company's operations with the rest of its consumer electronics division.

The agreement signed yesterday pavas the way for Nokia to develop fully Salora as part of the consumer electronics division, which ranks number three in Europe and ninth worldwide.

In e separate deal Nokia yesterday raised FM350m ($85m) through the sale of it hydropower plant in the town of Nokia in Finland to Elake-Varma, the Finnish insurance company. The deal includes e lease-back agreement and an option, but no commitment, to buy back the plant.

Good cheer at successful Sterling

Peter Marsh on the turnround at a Houston-based company

Ask the 900 employees of Houston-based Sterling Chemicals ebout the state of the US chemicals industry and you will get a decidedly cheery reply.

The staff of Sterling, who own just under half the company, some two months ago sold 20 per cent of their collective stake for $130m, more than 100 times tha value of the shares when the group was created two years ago.

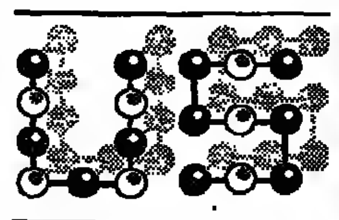
The size of the peyout – which enriched Sterling's production workers hy about $30,000 and gave much larger sums to some of the company's more senior employees – can be explained almost entirely by the scale of the turnround in the US chemicals business since 1986.

This week, for example, Quantum Chemical of the US announced a $1.2bn financial restructuring which would result in shareholders receiving a one-time cash dividend of $50 e share.

Sterling was created when a group of managers at Monsanto, the big US chemicals producer, agreed to buy from their employer e group of commodity-chemicals plants in Texas City near Houston.

The managers, aided by outside consultants including Mr Virgil Waggoner, Sterling's president, paid out $213m for the plants in a deal largely financed hy the issuing of $120m worth of junk bonds.

In tha past two years, demand for chemicals, and with this prices and chemical-industry profits, have soared. Sterling, which makes e range



Chemical industry

of chemicals used as raw materials in products such as plastics, fibres and paints, has benefited accordingly.

In 1985, the last year of Monsanto's ownership, the Texas City site made a profit of just $3.5m on sales of $591m. Sterling, after taking over the site and following restructuring, last year converted this into e profit of $47m, on $413m of sales.

There was a still better performance this year, during which Sterling unveiled net earnings of $213m on sales of $899m.

Mr Waggoner, a hurly 61-year-old who has had a lifetime's experience in the chemicals industry, including e 30-year spell with Monsanto, admits his former employer gave him a wonderful deal.

The big pay-off in October for Sterling's employees came after Mr Waggoner and the other directors decided to convert some of the shares into liquid assets. They asked all shareholders to dispose of a fifth of their stake, in the process taking the company public.

Mr Waggoner, who before the sell-off owned 10 per cent of Sterling, made $19m on the deal. He is anxious to portray the change in ownership of the Texas City plants not just as a way of making people rich.

Virgil Waggoner: plants not just a way of making money

He says the plants are run with an effectiveness and a sense of esprit among the workforce that was rarely the case when they were under Monsanto's ownership.

The big question for Sterling – and for other groups in the US chemicals industry which have gained similarly from the boom in demand since 1986 – is how long the good times will last.

Mr Waggoner points to a series of long-term contracts between his company and other chemicals groups, such as British Petroleum, BASF of West Germany, Canada's Polysar and Monsanto. Under these deals, Sterling has agreed to deliver to these groups bulk chemicals such as styrene (the main component of polystyrene plastic) and acetic acid (which is made into chemicals used in glues and paints) over several years.

These deals, Mr Waggoner says, should help to insulate Sterling from any downturns in the chemicals business in the next few years. Mr Waggoner is delighted with this scheme. "We think its pretty clever," he says.

This is the fourth in a series on the US chemical industry. The previous articles on Monsanto, Dow Chemical and Union Carbide appeared on December 8, 14 and 22

London United expands in US

By Nick Bunker

LONDON United Investments, a specialist group which supplies property/casualty insurance for US corporations, is to spend $12.69m to buy an insurance syndicate on the Chicago-based Illinois Insurance Exchange from CalFed, a US thrift institution.

London United already has one syndicate in Chicago, underwriting small to medium-sized insurance risks, and the deal could raise the group's share of the exchange's business to about 15 per cent.

The CalFed syndicate made 1987 pre-tax profits of $944,000, and has net assets of $11.44m.

Bond lifts Chile telecom stake to 50.2%

By Michael Marray in Hong Kong

MR ALAN BOND'S Hong Kong listed Bond Corporation International (BCI) has increased its stake in Compania de Telefonos de Chile (CTC) from 32 per cent to 50.2 per cent after subscribing to an additional US$155.2m worth of shares in the recent CTC rights issue.

The shares were acquired through BCI's wholly-owned subsidiary Bond Corporation Chile. Under CTC regulations no shareholder may normally own more than 45 per cent of the company, but agreement has been reached giving BCI until August 31 1992 to reduce its stake to below that level.

BCI acquired its initial 32 per cent stake in CTC in January 1988, and a few months later assumed management control of the company, which provides around 95 per cent of domestic telephone services in Chile.

BCI added that, when it took control, telephone line sales were below the 42,000 per annum target. It is now forecasting total line sales of 60,000 for 1988, and growth of 11 per cent in operating profit over 1987.

The company said in a report to shareholders released in August that long-term funding for its increased CTC stake would be repayable over eight years from profits distributed by CTC.

BCI is 66 per cent held by its Australian parent Bond Corporation Holdings, which in October announced a HK$2.20 (US$0.28) per share offer to minorities in order to take the company private.

However, the extraordinary meeting planned for December 12 so that shareholders could vote on the offer had to be postponed after BCI sold its 30 per cent stake in TVB, a local television station. The deal meant that new offer documents had to be prepared.

Further delays on documentation make it likely that the extraordinary meeting will be further postponed, from the rescheduled January 10 date, and that it will not take place until the end of that month.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Thursday December 29 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Dec 28 Index No.	Fri Dec 23 Index No.	Thu Dec 22 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	784.38	+1.2	11.95	4.54	10.25	25.81	774.87	767.34	766.12	727.84
2 Building Materials (28)	959.35	+1.7	13.28	4.75	9.26	33.75	943.66	933.04	927.96	967.69
3 Contracting, Construction (39)	1487.41	+1.1	13.33	4.10	9.78	47.27	1471.60	1454.39	1452.83	1385.98
4 Electricals (10)	2317.68	+1.2	9.34	4.87	12.91	78.35	2290.95	2273.02	2257.25	2020.82
5 Electronics (30)	1781.94	+1.1	10.52	3.66	12.30	47.99	1762.45	1747.54	1746.62	1512.67
6 Mechanical Engineering (54)	411.49	+1.2	11.45	4.49	10.61	14.46	406.70	405.15	403.67	369.29
8 Metals and Metal Forming (8)	457.56	+0.6	16.52	6.32	6.90	14.35	454.77	450.77	450.55	437.02
9 Motors (16)	261.26	+0.0	12.89	5.38	8.96	9.91	259.13	255.25	255.71	269.09
10 Other Industrial Materials (23)	1323.94	+1.5	10.30	4.71	11.48	46.27	1304.37	1293.57	1290.48	1240.81
21 CONSUMER GROUP (188)	1028.63	+1.0	10.11	4.05	12.48	30.45	1018.52	1009.23	1008.00	1033.48
22 Brewers and Distillers (21)	1116.40	+0.1	11.36	4.80	10.99	32.36	1114.81	1110.13	1108.57	1098.82
25 Food Manufacturing (21)	934.59	+1.2	9.30	4.12	12.81	27.45	923.56	912.79	911.34	834.51
26 Food Retailing (16)	1813.42	+1.8	10.01	3.86	13.14	51.41	1781.29	1761.99	1764.43	2104.54
27 Health and Household (13)	1814.38	+0.6	7.48	2.78	15.49	40.69	1803.42	1782.82	1780.35	1762.45
29 Leisure (31)	1354.61	+1.0	9.12	3.92	14.01	37.84	1341.78	1332.53	1330.12	1129.18
31 Packaging & Paper (17)	527.13	+1.0	19.56	4.27	11.76	16.37	521.91	516.83	514.95	505.02
32 Publishing & Printing (19)	3265.02	+1.4	9.36	4.70	13.36	188.57	3220.74	3194.86	3196.65	3376.87
34 Stores (34)	693.08	+1.4	12.28	4.96	10.70	25.04	683.26	677.01	675.61	845.72
35 Textiles (16)	464.46	+0.8	14.99	6.06	8.00	19.12	460.33	454.46	453.54	598.22
40 OTHER GROUPS (92)	903.60	+0.9	11.62	4.77	10.51	32.32	895.56	889.65	885.74	852.81
41 Agencies (19)	1048.66	+0.6	8.58	2.69	14.63	21.60	1042.63	1029.17	1026.49	1069.63
42 Chemicals (22)	1039.46	+1.2	12.26	5.07	9.79	41.76	1026.93	1017.10	1007.03	1074.05
43 Conglomerates (12)	1267.46	+1.4	11.66	5.65	9.95	54.84	1249.42	1237.17	1236.03	1115.90
45 Shipping and Transport (12)	1865.55	+0.8	12.00	5.03	10.88	62.78	1850.95	1837.11	1835.31	1729.65
47 Telephone Networks (2)	1005.09	+0.5	11.69	4.67	11.12	35.23	999.82	999.76	995.55	897.43
48 Miscellaneous (25)	1194.40	+0.9	12.06	4.60	9.43	41.15	1184.31	1175.20	1169.24	1168.33
49 INDUSTRIAL GROUP (488)	945.74	+1.0	11.03	4.38	11.20	30.47	936.09	928.05	926.01	914.29
51 Oil & Gas (12)	1743.64	+0.2	10.61	6.41	12.07	82.60	1740.88	1735.47	1729.80	1702.70
59 500 SHARE INDEX (580)	1013.49	+0.9	10.97	4.66	11.31	34.87	1004.35	996.49	994.15	981.12
61 FINANCIAL GROUP (123)	676.16	+0.6	–	5.27	–	26.60	672.11	668.55	666.98	650.51
62 Banks (8)	663.25	+0.2	21.37	6.54	6.27	32.18	661.63	662.05	659.70	657.65
65 Insurance (Life) (7)	945.06	+1.3	–	5.78	–	39.81	932.65	923.77	921.84	976.89
66 Insurance (Composite) (7)	533.33	+1.7	–	5.86	–	24.04	524.52	521.28	519.50	509.32
67 Insurance (Brokers) (7)	925.28	+1.5	9.46	7.02	13.28	46.87	911.09	901.14	902.77	916.83
68 Merchant Banks (11)	317.15	–0.6	–	4.73	–	10.93	319.05	318.75	320.38	345.69
69 Property (52)	1211.88	+0.3	5.91	2.84	21.64	25.93	1208.71	1194.29	1190.74	997.62
70 Other Financial (31)	342.36	+0.3	10.28	5.78	12.15	15.48	341.22	340.93	341.13	385.30
71 Investment Trusts (76)	927.43	+1.1	–	3.27	–	21.38	916.98	910.73	909.22	788.09
81 Mining Finance (2)	568.04	+0.6	10.76	3.68	10.35	15.67	564.57	556.61	555.13	449.04
91 Overseas Traders (8)	1278.69	+0.5	9.18	4.95	12.63	48.71	1272.91	1256.12	1256.38	964.99
99 ALL-SHARE INDEX (709)	930.43	+0.9	–	4.70	–	32.28	922.51	915.52	913.42	898.92

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 28	Dec 23	Dec 22	Dec 21	Dec 20	Year ago
FT-SE 100 SHARE INDEX‡	1803.4	+15.7	1804.9	1793.0	1787.7	1774.0	1768.7	1772.6	1777.4	1759.8

FIXED INTEREST

PRICE INDICES	Thu Dec 29	Day's change %	Wed Dec 28	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	118.39	–0.06	118.46	–	11.71
2 5-15 years	133.75	–0.08	133.86	–	14.01
3 Over 15 years	146.49	–0.21	146.79	–	14.10
4 Irredeemables	169.09	–0.11	169.27	–	14.61
5 All stocks	131.68	–0.09	131.80	–	13.36
Index-Linked					
6 5 years	129.60	–0.03	129.63	–	2.44
7 Over 5 years	126.50	....	126.50	–	3.54
8 All stocks	126.54	–0.01	126.55	–	3.43
9 Debentures & Loans	116.19	+0.08	116.09	–	11.75
10 Preference	85.91	–0.23	86.10	–	6.62

AVERAGE GROSS REDEMPTION YIELDS		Thu Dec 29	Wed Dec 28	Year ago (approx.)
British Government				
1 Low	5 years	10.33	10.32	8.77
2 Coupons	15 years	9.51	9.49	9.46
3	25 years	9.07	9.05	9.33
4 Medium	5 years	10.56	10.54	9.40
5 Coupons	15 years	9.74	9.71	9.65
6	25 years	9.33	9.30	9.60
7 High	5 years	10.76	10.72	9.50
8 Coupons	15 years	9.85	9.84	9.80
9	25 years	9.36	9.33	9.58
10 Irredeemables†		8.95	8.94	9.25
Index-Linked				
11 Inflation rate 5%	5yrs.	3.81	3.70	2.89
12 Inflation rate 5%	Over 5 yrs.	3.78	3.77	3.97
13 Inflation rate 10%	5 yrs.	2.57	2.54	3.33
14 Inflation rate 10%	Over 5 yrs.	3.60	3.60	4.06
15 Debs &	5 years	11.60	11.51	11.00
16 Loans	15 years	11.28	11.25	11.06
17	25 years	10.97	10.98	11.10
18 Preference†		10.43	10.41	10.68

‡Opening index 1793.0; 10 am 1793.5; 11 am 1799.1; Noon 1804.6; 1 pm 1802.3; 2 pm 1802.6; 3 pm 1804.0; 4 pm 1804.3; 4.05 pm 1804.1 (a) 3.35pm (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p. Planned Year End Constituent Changes. INSERTIONS: Blenheim Exhibitions, Group 41-Agencies, Eurotunnel (half market capitalisation), Group 45-Shipping & Transport: Premier Consolidated Oilfields, Group 51-Oil & Gas; Stanhope Properties and Randsworth Trust, Group 69-Property: London Forfaiting, Group 70-Other Financial: United Friendly Insurance "B", Group 65-Insurance Life. DELETIONS: Carless, Group 51-Oil & Gas: Gent (S.R.), Group 35-Textiles: Ocean Wilsons Holdings, Group 45-Shipping & Transport. RECLASSIFICATIONS: Avis, from Agencies to Motors: Carlton Communications, from Agencies to Leisure; IMI, from Metals & Metals Forming to Mechanical Engineering.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	91	15
Corporations, Dominion and Foreign Bonds	2	15	34
Industrials	585	166	829
Financial and Properties	240	63	368
Oils	26	11	67
Plantations	4	0	9
Mines	28	37	124
Others	74	48	125
Totals	964	431	1,571

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Dec 19
- Last Dealings Jan 6
- Last Declarations Mar 30
- For settlement Apr 10

For rate indications see end of London Share Service

Calls in T. Cowie, Holmes Protect, Cheung Kong, Lowndes Queen, ICH, Reiners, Stormgard, Unigate, Eagle Trst, EuroTunnel Ord & Wrnts, Control Secs, WA Hldgs, Owners Abroad.

LONDON TRADED OPTIONS

[illegible]

December 29 Total Contracts 27,525 Calls 19,297 Puts 8,228 FT-SE Index Calls 4963 Puts 2806 *Underlying security price.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices advanced rapidly in morning trading on expectations that the US market would make a strong technically-based rally. But disappointment at New York's failure to follow through an early advance pared the gains, leaving the second position robusta contract £22 ahead at £1,216 a tonne at the close. Confirmation that a Brazilian coffee exporter was unable to meet commitments and has asked for a court-supervised debt settlement had little sustained impact, with the amount of coffee involved not being significant enough to tighten supplies. Fundamentals remain constructive and current rains in Brazil are coming too late to help its damaged crop, dealers said. However, physical interest remains thin ahead of the New Year holiday. On the bullion market platinum continued its recent decline, with the thinness of the post-Christmas market exaggerating the downward move, dealers said.

SPOT MARKETS

[illegible]

COCOA £/tonne

[illegible]

COFFEE £/tonne

[illegible]

SUGAR ($ per tonne)

[illegible]

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]

FRUIT AND VEGETABLES

[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

[illegible]

POTATOES £/tonne

[illegible]

LONDON BULLION MARKET

[illegible]

SOYABEAN MEAL £/tonne

[illegible]

FREIGHT FUTURES $10/index point

[illegible]

GRAINS £/tonne

[illegible]

CRUDE OIL $/barrel

[illegible]

GAS OIL $/tonne

[illegible]

US MARKETS

IN THE metals, technical selling in the gold and silver markets sent prices below key support levels, reports Drexel Burnham Lambert. February gold fell over 6 dollars while the March silver lost 9 cents. Platinum and copper prices were firm in quieter trading. The soft commodities featured a slow day in the sugar and cocoa markets. Coffee again gained 694 in March as its upward trend continues. In the grains, fund selling weakened the bean oil market. The soymeal futures were steady as commercial buying and commission house spreading was featured. Corn and wheat markets were quiet with some realigning of spreads seen. In the meats, cattle futures slipped as the European ban on beef imports containing growth hormones weighed on the market. The pork belly and hog futures featured mixed trading as large weekly movement of bellies into cold storage and steady lower cash prices put pressure on the futures. The energy markets fell slightly in moderate volume. Trade groups were mixed with no news to report.

New York

[illegible]

Chicago

[illegible]

INDICES

[illegible]

LONDON STOCK EXCHANGE

Equity sector above FT-SE 1800

THE YEAR-END rally on the London stock market continued yesterday, taking the FT-SE Index above the 1800 mark last seen at the end of November. Gains in the blue chip exporters were encouraged by another firm performance by the US dollar and by an increasing shortage of shares in the market as fund managers and traders closed their books ahead of the final trading session of 1988.

The squeeze on share prices brought sharp rises among insurance issues and a broad range of overseas earning stocks. This week's improvement in these widely held blue chips is most acceptable to managers of the big investment funds, whose 1988 performance is inevitably linked to tonight's closing prices. There were few sellers when prices began to move higher.

Account Dealing Dates		
*First Dealings:		
Dec 12	Dec 28	Jan 16
Option Declarations:		
Dec 22	Jan 12	Jan 26
Last Dealings:		
Dec 23	Jan 13	Jan 27
Account Day:		
Jan 9	Jan 23	Feb 6

*New time dealings may take place from 9.00 am two business days earlier

Accentuating the squeeze was a trading programme of around £85m and involving around 30 Alpha-rated and some Beta stocks, operated largely by Smith New Court, one of the leading marketmakers in London. The programme brought raised eyebrows at some major trading firms which had not been invited to tender for it.

Traders commented that some of the programme deals were done at surprising premiums to the market, but a spokesman for Smith said the premiums were not unusual in terms of current screen trading.

At the close, the FT-SE Index was 15.7 higher at 1803.4, encouraged finally by firmness on Wall Street. It last stood above 1800 on November 24 when it reached 1833, only to tumble the next day on the disclosure of a surge in Britain's trade deficit in October. The past fortnight has seen a cautious recovery as the latest data on the UK economy has suggested a slowdown in consumer spending.

Seaq volume jumped sharply yesterday to 377.3m shares from the 172.7m of the previous session. However, market analysts took a cautious view of this week's bounce in equities, which are still thought to be in a trading range with a top end of around FT-SE 1810.

Some traders commented that the equity market may now be looking overextended. Yesterday's gain in market indices reflected sharp rises in such favoured international performers as Glaxo, Beecham, Jaguar and BAT Industries, where shortage of stock has become a clearly significant factor.

Equities paused briefly at mid-morning when National Westminster Bank announced a one point increase in its mortgage rate to 13.75 per cent. An increase had been signalled, and was indeed inevitable, in November when bank base rates moved up to 13 per cent. The move did nothing to lift the market's uncertainty over the general outlook for domestic interest rates.

FINANCIAL TIMES STOCK INDICES

	Dec. 29	Dec. 28	Dec. 23	Dec. 22	Dec. 21	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.20	87.30	87.46	87.38	87.28	88.69	91.43 (18/4)	86.19 (14/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.01	96.13	95.70	95.75	96.10	95.08	98.67 (25/3)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1463.1	1447.1	1438.2	1432.4	1435.0	1408.0	1514.7 (8/8)	1348.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	162.6	164.6	163.3	164.1	164.7	305.3	312.5 (7/1)	162.9 (29/12)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	5.01	5.06	5.10	5.12	5.12	4.42				
Earning Yld % (full)	12.65	12.78	12.89	12.94	12.94	11.06				
P/E Ratio (Net)(*)	9.54	9.44	9.36	9.33	9.32	11.09				
SEAQ Bargains(5pm)	15,229	11,410	10,257	18,577	16,582	16,548				
Equity Turnover(£m)†	-	374.85	574.76	798.67	917.76	774.07				
Equity Bargains†	-	11,295	13,418	20,644	20,212	17,908				
Shares Traded (ml)†	-	168.4	290.5	405.8	453.9	272.7				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1452.8	1453.7	1459.3	1464.9	1462.9	1463.0	1464.2	1464.2

DAY'S HIGH 1465.1 DAY'S LOW 1452.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 9.49 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Dec 28	Dec 23
Gilt Edged Bargains	48.0	43.0
Equity Bargains	73.1	86.9
Equity Value	757.7	1161.7
5-Day average		
Gilt Edged Bargains	71.8	81.6
Equity Bargains	109.9	119.5
Equity Value	1490.1	1623.7

● London Report and latest Share Index: Tel. 0898 123001

Mystery Collins bidder

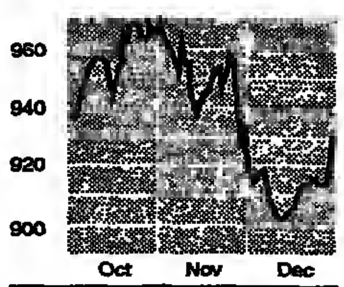
William Collins, the publishing house currently under the threat of a bid from Mr Rupert Murdoch's News International, followed up its recent announcement about talks with a possible white knight. News that an unnamed party intends to make an offer for Collins sent both classes of share skidding higher. The Ordinary shares improved 6 to 851p, while the A shares jumped 41 to 706p, after 715p, in turnover of 175,000.

The rises reflected the cash offer terms of 880p for each ordinary share and 735p for each A share. There was plenty of speculation as to the identity of the new bidder. Last week's favourite Reed International was mentioned again, but the balance seemed to favour a mystery US party. The offer remains conditional upon acceptance from a significant number of ordinary Collins shareholders.

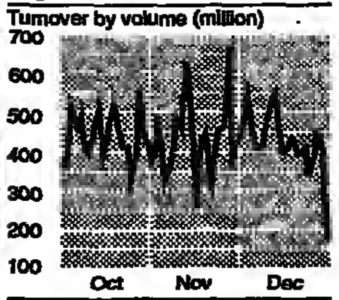
Plessey active

The market began to scent yesterday that the GEC/Siemens' terms currently on the table for Plessey were unlikely to be successful. Activity expanded noticeably – turnover eventually amounted to 4.5m shares – as Plessey shares pressed nearer the bid price (125p) to close 6 up at 121p. Next week the group will unveil its defence document, which must be produced by January 6. GEC shares added 2 at 189p.

FT-A All-Share Index



Equity Shares Traded



A leading researcher commented: "Events are likely to unfold in the next two weeks or so with the European Commission decision expected by January 13. This coincides with the first closing date of the Anglo/German offer." He continued, "the view among analysts is strengthening that better terms are needed to win the day".

International stocks were again squeezed, with Glaxo up 10 to 1083p and ICI rising 7 to 1023p in thin turnover. The only redeeming factor was the mixed programme trade which involved around 30 of the leading issues and helped boost turnover as dealers tried to cover their positions. BOC was one of the stocks to benefit, rising 9 to 430p with dealers commenting that stock was increasingly hard to find.

NatWest shares edged higher to 314p as the market took aboard the increase in mortgage rate which the bank had already signalled for the New Year. The announcement brought a flurry of trading which took the shares as high as 315p at best on turnover of 1.4m shares.

The post-Christmas firmness in the dollar was good news for insurance shares, where US earnings are of major import. Shortage of stock helped push prices ahead as some fund managers shuffled portfolio positions ahead of the year-end. Among the best spots were General Accident and Sun Alliance.

Currency factors also helped selected insurance brokers. Sedgwick, with substantial US interests, gained 5 to 231p. A large buyer was noted again for Bradstock Group.

Prudential edged higher at 154p after paying £46.7m for the Australian and New Zealand interests of Aetna, the major US life and casualty group.

The squeeze on Racal Telecom (RTG) shares intensified as US-based investment houses went on the bid for stock yesterday. Continuation of the flow of stock from the UK now means that more than half of the issue is held in US hands, with British investors becoming a protected species. High volume of 5.2m was recorded as RTG gained 4 more to 183p. Racal Electronics moved up 3 to 282p.

Thorn EMI maintained a strong profile, rising 6 to 629p, amid reports that it hopes to conclude negotiations with French group SGS Thompson over the sale of Inmos by mid-February.

Amstrad shares extended their recovery with buyers looking optimistically towards satellite television expansion, and the close was 5 higher at 178p.

Among builders, Steetley rose 15 to 335p, approaching its year-high amid large buying interest. Redland was well bid and rose 16 to 426p.

The Stores sector continued to improve against a background of good reports from the pre-Christmas trading period and the New Year Sales. Ratners benefited with a rise of 7 to 177p, while Woolworth also rose 9 to 239p. Body Shop met strong demand ahead of results scheduled for January 11 which are expected to be very good. The shares rose 13 to 516p, after 519p.

After a slow start, the star performer in the sector was electrical retailer Dixons, which mystified dealers with its surge of 7 to 154p in much improved turnover of 7.1m shares. Volume included one deal of 2.5m which was said to be a Bed & Breakfast deal, although there was speculation that it might have been part of the programme trade.

Lloyds Chemists was a strong market again. The shares put on 9 to 151p amid a slight shortage of stock, with dealers citing an investment newsletter tip as the cause of demand.

Lucas Industries (522p) continued to respond to whispers of stakebuilding, while British Steel (61½p) extended the premium on the offer price as arbitrage buyers from the US appeared in London.

Food stocks were mixed. Dealers found it hard to keep their book positions as flat as they wanted - strong demand emerged for Unigate, which rose another 10 to 349p after Wednesday's confirmation that the Irish entrepreneur Mr Larry Goodman had raised his stake to 7.89 per cent.

Turnover was a respectable 4.6m shares, with dealers speculating that brokers acting for Mr Goodman might have been bidding for more stock yesterday. Analysts Carl Short and John Marshall at Kitcat & Aitken were among the first to record a post-Christmas comment, advising investors to "await further developments", particularly with regard to unsubstantiated talk of a European consortium bid for Unigate.

Unilever gained 11 to 486p in what dealers described as a classic squeeze, while the interest in Unigate inspired the old bid favourite United Biscuits to move ahead 5 to 289p in turnover of 1.7m.

New Year recommendations, both actual and rumoured, incited buying interest for several miscellaneous industrial groups. Siebe rose 12 to 396p following a newsletter tip and Smiths Industries advanced 8 to 268p amid speculation that it would be included in at least one list. Transport Development jumped 15 to 238p and Granada 9 to 324p.

Eurotunnel led the rest of the field, responding to avid Continental support which forced the shares to within a whisker of the year's high point before a close of 14 up on balance at 485p. Rank Organisation, annual results due next month, added 12 more at 738p and Tomkins, scheduled to report interim figures on January 9, improved 7 to 207p.

Capital Radio shares rose again, adding 10 to 505p as demand driven by good trading prospects exposed an ever thinner market. Shares in Tottenham Hotspur surged 23 to 133p on late news that Mr Tony Berry has taken a near 4 per cent stake.

In a busy papers sector, United Newspapers staged a strong recovery, adding 11 to 376p on activity connected to yesterday's programme trade. There was also talk that favourable press comment is imminent. Among agencies, WPP rose 9 to 156p as two dealers aggressively bid for stock.

NatWest's move to higher mortgage rates dampened enthusiasm for Property shares.

Dealings in traded options recovered to a level of 27,525 contracts with today's expiry in the FT-SE 100 index contract a factor. Overall dealings lay in 19,297 calls and 2,828 puts, and were again dominated by turnover in the index, which came to 7,769 contracts, lying in 4,963 calls and 2,806 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 16

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (47). CANADIANS (2), BANKS (3) ANZ, Chgn. Hok., CLF 6¼pc, BUILDINGS (1) RMC, CHEMICALS (1) Rentokil, STORES (1) Limited Inc., ELECTRICALS (1) Racal Telecom, ENGINEERING (3) Ransomes Sims, Renold, SKF, FOODS (4) BSN, Kwik Save, Low (Wm.), Unigate, INDUSTRIALS (6) Alfa- Laval, BOC, Doctus, Eurotunnel Units, Do. Wrnts., Shanks & McEwan, INSURANCE (2) Allianz, Amer. Int'l. Grp., LEISURE (3) Capital Radio, Hanimex, Tottenham Hotspur, MOTORS (1) Plaxton, NEWSPAPERS (1) Collins (Wm.) 'A', PROPERTY (1) London Shop 9pc Cv. '94-'99, SHIPPING (3) Bergesen d-y AS 'A', Lon. O'seas. Frts. '5' Pfd., Sea Containers, TRUSTS (11), MINES (2), THIRD MARKET (1).

NEW LOWS (27). CANADIANS (1), BUILDINGS (1) Arthur Shaw, STORES (2) Lowndes Q'way, Vivat Hldgs., ELECTRICALS (1) Wstn. Select, ENGINEERING (1) Dale Grp., FOODS (2) Everest Foods, Park Food, INDUSTRIALS (2) Bluebird Toys, Kitty Little, NEWSPAPERS (1) Johnston Press, PAPERS (2) Hunterprint, Peters (M.), PROPERTY (2) Mcinerney, Merchant Mt. Ests., SHIPPING (1) P. & O. 5½pc Rd. Non-Cum. Pf., TRUSTS (4), MINES (7).

APPOINTMENTS

Restructure at British Aerospace

■ BRITISH AEROSPACE has made the following board appointments. At British Aerospace (Commercial Aircraft): Mr S. Gillibrand, chairman; Dr M.C.S. Dixson, managing director; Mr D.G. Eustace, non-executive director; Mr J.J. Hughes, Mr C.B.G. Masefield, Mr R.M. McKinlay, and Mr P.J. Rowley, secretary. At British Aerospace (Dynamics): Mr R.H. Evans, chairman; Mr N.V. Barber, managing director; Mr S. Blomiley, Sir David Evans, non-executive director; Mr M.D. Parry, Mr M.J. Turner, and Mr A.M. Goodall, secretary. At British Aerospace (Military Aircraft): Mr R.H. Evans, chairman; Dr I.A.M. Hall, managing director; Mr A.H. Baxter, Sir David Evans, non-executive director; Mr W.F. McNaughton, Mr R.D. Smith Wright, Mr M.J. Turner, Mr J.P. Weston, Mr B. Young, and Mr T.A. Fletcher, secretary. At British Aerospace (Space Systems): Sir Raymond Lygo, chairman; Mr J.A. Holt, managing director; Mr P.J. Conchie, Mr R.G. Dancey, Mr N.A.C. Nendick, Mr E.S. Rothery, Mr I.R. Yates and Mr P.E. Green, secretary.

■ Mrs Fiona Goulbourn has been appointed managing director of MAA PENSIONS, pensions marketing arm of the Motor Agents' Association. She also becomes managing director of General Pensions Administrators, a subsidiary. She was an executive director of Hadrian Trustees.

■ N.M. ROTHSCHILD & SONS has appointed Mr Peter Davies, a senior partner in Peat Marwick McLintock, Cardiff, as director of corporate finance in Wales. He joins on April 1, and will be based in Cardiff.

■ Mr Peter Savage joins STACK GmbH, Milton Keynes, in January as managing director, taking over from Mr Bernard Hadley when he retires in April. Mr Savage was founder and managing director of Semstat.

■ Mr Stefan Kay, previously a general manager of one of G-P INVERESK's four mills, has been appointed managing director of the group in succession to Mr Adrian Missenden who leaves in mid-February to become managing director of Associated Paper Industries.

■ Mr Fergus Dymock has been appointed an executive director of HAMBROS BANK with responsibility for medium term finance and the shipping division from January 1.

Mr Charles Perrin will cease acting as senior executive director of the division on that date to allow more time for his general responsibilities as deputy chairman. He will continue as executive director of the Scandinavian division.

■ The TT GROUP has appointed Mr Andrew P. Bale as its chief accountant and treasurer.

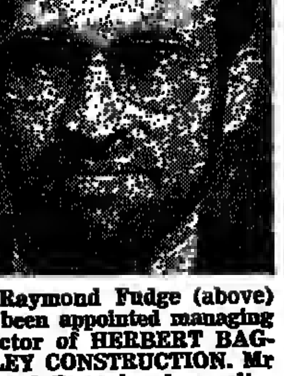
■ Mr Frank B. McGarry has been appointed managing director of RAINHAM TIMBER ENGINEERING, a subsidiary of The Phoenix Timber Group.

■ GT MANAGEMENT (UK), a subsidiary of GT Management, has appointed to the board: Mr Peter Anwyl-Harris; Ms Lynne Chilvers; Mr Peter Dugdale; Mr Paul Freeman; Mr John Legat; and Mr Terry Lynch.

Mr Michael Stevenson, (above), founder director, has become chairman of KESTREL SERVICES. Mr Robert Wallace, finance director, becomes managing director of all four operating divisions. Mr Philip Crocker has been appointed director of systems.

■ UBS PHILLIPS & DREW has appointed Mr Peter Tansig as director responsible for international equity syndication. He joins from S.G. Warburg where he was a director and head of the syndication and marketing group.

■ Mr Stephen Raven has been appointed managing director of the securities division of INTERNATIONAL CITY HOLDINGS. He will be responsible for the global securities broking business of the group, which primarily comprises MKI Securities in the US and in London, and Charles Fulton IDB, and Charles Fulton Equity IDB. Mr Raven, who joined the group last July, was with Warburg Securities, and County NatWest Securities.



Mr Raymond Fudge (above) has been appointed managing director of HERBERT BAGGALEY CONSTRUCTION. Mr Howard Baggaley has relinquished this role to concentrate as chairman on the development of the Baggaley Group.

■ Mr John Fraser has been appointed director, group compliance, of NATIONAL WESTMINSTER BANK, succeeding Mr John Bellamy, who retires on December 31. Mr Fraser was an assistant general manager of NatWest's domestic banking division.

■ Mr Walter Stewart has been appointed assistant general manager, Europe, from January 1, at THE ROYAL BANK OF SCOTLAND. Mr Stewart will manage all operational aspects of the bank's alliance with Banco Santander, which covers Spain, Germany, Belgium, and Gibraltar. He will also be responsible for the bank's preparation for a single European Market in 1992 and for helping customers prepare for this event. He will be based in London at the bank's international division headquarters.

On January 1 Mr Lawrence Nuttall (above) joins BLACKPOOL PLEASURE BEACH as a non-executive director. He is chief executive of Nuttalls, company merger specialist.

■ Mr Colin Goodall has been appointed deputy managing director, and Mr Simon Embleton, Mr Gavin Lach, and Mr Des Ruddy have been appointed associate directors in the foreign exchange division of BUTLER HARLOW UEDA.

■ Mr Michael John Murden becomes managing director of NORTHUMBRIAN WATER on January 3. He is managing director of Cammell Laird Shipbuilders. Mr Murden succeeds Mr Frank Ridley, who retires as chief executive, but will continue as deputy chairman.

■ Mr Glyn Samuel, the immediate past chairman of the Road Haulage Association, has been appointed deputy chairman of NORSEMAN FREIGHT, a member of the Robert Smith Group.

Mr Emyr Daniel, controller, factual programmes, for HTV CYMRU/WALES, is to be the company's director of programmes from January 1. He succeeds Mr Huw Davies who has already taken up his new post as managing director of the company. Mr Davies has also been appointed deputy chief executive of HTV Group. Mr Daniel will be responsible for all HTV Cymru/Wales programme output - English language programmes for the company's own service, for the ITV network, and for Channel Four UK and Welsh language programmes for S4C.

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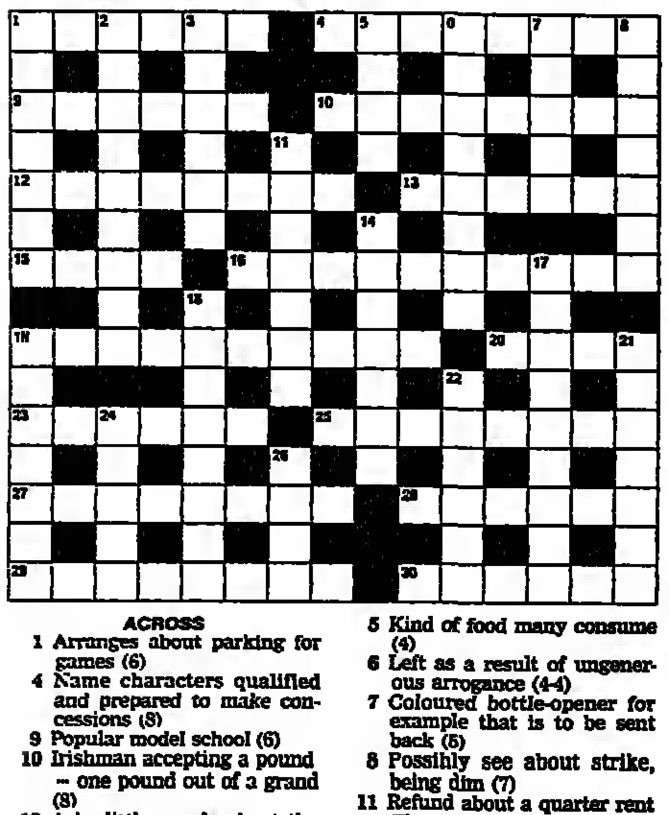
AUTHORISED UNIT TRUSTS

CROSSWORD

No.6,822 Set by VIXEN



ACROSS

1 Arranges about parking for games (6)
4 Name characters qualified and prepared to make concessions (8)
9 Popular model school (6)
10 Irishman accepting a pound – one pound out of a grand (8)
12 Asks little people about the teaching (8)
13 Like general quiet when taking a nap (6)
15 Smirk if spirit is shown about the Right (4)
16 A tent damaged by a ball needed service (10)
19 The guy having dieted successfully, he's working on a boat (10)
20 Time to accommodate superior, though it gives one the shivers (4)
23 "Look", a new paper (6)
25 Advanced into the tall grass and gave way (8)
27 Youth-leader after a drink, having the wind up (8)
28 A steep requirement for converting foreign currency (6)
29 Account for connection (8)
30 Insecticide used within reason under risky conditions (6)

DOWN

1 Carol holds back gratuity, which is annoying (7)
2 The children will get away early in the year (9)
3 Big fish taking no part (6)
5 Kind of food many consume (4)
6 Left as a result of ungenerous arrogance (4-4)
7 Coloured bottle-opener for example that is to be sent back (5)
8 Possibly see about strike, being dim (7)
11 Refund about a quarter rent (7)
14 Foul act involving university men (7)
17 Anger with manufacturers of certain clothing (9)
18 Frankly square (8)
19 Hero's love of heel backing Communist (7)
21 Design housing for sound equipment and wins (7)
22 Hard as ever in the Kent area (6)
24 Fruit left – it's very decorative (5)
26 Some got too deeply into debt to suit this man (4)

Solution to Puzzle No.6,821

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally fixed unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ – 0001 to 1100 hours; ♦ – 1101 to 1400 hours; ♠ – 1401 to 1700 hours; ♣ – 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	96.51	97.28	103.49	[illegible]	[illegible]
Do Accum	6	103.58	104.42	111.08	[illegible]	[illegible]
TSB Brit Growth	6	53.31	53.71	57.05	[illegible]	[illegible]
Do Accum	6	55.79	56.20	[illegible]	[illegible]	[illegible]
TSB European	6	52.78	53.13	[illegible]	[illegible]	[illegible]
Do Accum	6	54.21	54.63	[illegible]	+0.17	[illegible]
TSB Extra Income	6	141.96	145.61	[illegible]	+0.41	[illegible]
Do Accum	6	183.28	187.95	199.95	+0.54	[illegible]
TSB Smaller Cos	6	49.07	53.10	54.36	+0.19	[illegible]
Do Accum	6	49.95	52.01	55.33	+0.19	[illegible]
TSB General	6	174.71	177.27	188.59	+2.78	[illegible]
Do Accum	6	302.42	306.86	326.45	+3.07	[illegible]
TSB Premier Income	5	47.15	47.63	49.65	+0.12	[illegible]
Do Accum	5	72.37	73.11	76.16	[illegible]	[illegible]
TSB Income	6	256.93	261.11xd	277.78	+1.70	5.25
Do Accum	6	437.05	444.18xd	472.53	+2.90	5.25
TSB Pacific	6	213.28	216.13	230.24	+0.39	0.21
Do Accum	6	221.75	225.02	239.38	+0.40	0.21
TSB International	6	327.01	331.04	352.17	+0.33	0.84
Do Accum	6	413.21	418.31	445.01	+0.43	0.84
TSB Nat Resources	6	59.11	60.45	64.31	+0.08	1.67
Do Accum	6	62.66	64.08	68.17	+0.08	1.67
TSB Sicid Opps	6	75.45	77.28	82.21	+1.40	2.86
Do Accum	6	86.15	88.24	93.87	+1.60	2.86

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	197.0	207.4	+2.1	—
Managed Prospect Fund	160.3	169.0	+1.7	—
UK Equity Fd	235.9	248.4	+2.0	—
Fixed Interest	159.9	168.4	+0.4	—
Pacific	231.0	243.2	+7.7	—
North American	103.6	109.1	+0.2	—
Pens. Managed	221.9	233.0	+2.2	—
Pens. UK Equity	251.9	265.2	+2.5	—
Pens. Overseas Equity	288.2	303.4	+5.9	—
Pens. Property	172.0	181.1	+0.9	—
Pens. Fixed Interest	173.8	103.0	+0.4	—
Pens. Index Linked	130.6	137.5	+0.4	—
Pens. Deposit	164.5	173.2	+0.3	—
P.O.P. UK Equity	109.6	115.4	+1.1	—
P.O.P. Overseas Equity	102.6	108.1	+2.1	—
P.O.P. Fixed Interest	118.2	124.5	+0.3	—
P.O.P. Property	142.5	150.0	+0.7	—
P.O.P. Index Linked	118.0	124.3	+0.4	—
P.R.P. Deposit	113.6	119.6	+0.3	—
P.R.P. Managed	131.3	117.2	+1.1	—
P.R.P. With Profits	118.7	125.0	+0.3	—

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	290.0	306.2	+1.1	—
UK Equity	357.3	376.2	+1.9	—
Overseas Eq	270.7	285.0	+2.0	—
Americas	204.6	215.4	+1.7	—
Far East	339.4	357.3	+5.1	—
Property	192.9	203.1	+0.3	—
Fixed Int.	210.2	229.7	+0.1	—
Indexed Gilt	127.5	134.5	—	—
Deposit	144.9	152.6	+0.2	—
Pension Fund (Accum Units)				
Managed	376.0	395.8	+1.9	—
UK Equity	417.3	439.3	+2.0	—
Overseas Eq	429.1	451.9	+5.6	—
Americas	273.6	288.1	+2.0	—
Far East	572.7	602.9	+10.0	—
Property	228.7	240.8	+0.6	—
Fixed Int.	231.2	264.5	+0.2	—

Providence Capital Life Asst. Co Ltd
30 Uxbridge Rd, London W12 8PG 01-749 9111

	Bid Price	Offer Price	+ or −	Yield Gross
UK Equity Acc.	181.0	191.6	+1.9	—
UK Fixed Int Acc.	142.6	150.5	−0.6	—
Intl Equities Acc.	132.7	140.0	+1.7	—
UK Managed Acc.	143.1	150.9	+0.8	—
Property Acc.	220.6	232.8	+0.3	—
Money Acc.	103.2	108.9	+0.1	—
Special Market Acc.	103.8	109.5	+1.0	—
Japan Equity Acc.	140.1	147.8	−1.2	—
North American Acc.	86.5	91.3	+0.2	—
Pacific Acc.	75.7	79.9	+1.4	—
Technology Acc.	107.5	113.5	+0.7	—
Nat Resources Acc.	59.5	62.6	+1.1	—
European Acc.	80.0	85.1	+0.7	—
Residential Prop Acc.	115.7	122.1	—	—
Swiss Equities Acc.	30.7	32.4	+0.5	—
Hong Kong Acc.	45.5	48.0	+0.2	—
UK High Inc Eq Acc.	58.9	62.2	+0.3	—
Int Fixed Interest Acc.	49.7	52.5	—	—
Int Managed Acc.	47.1	49.6	+0.1	—
HIP Managed Acc.	101.5	107.0	+0.3	—
Total Investment Bond				
UK Equity Initial		126.8	+1.2	—
UK Fixed Int Initial		99.70	+0.3	—
Intl Equities Initial		92.0	+1.0	—
UK Managed Initial		100.1	+0.6	—
Property Initial		135.4	+0.2	—
Money Initial		72.5	—	—
Special Market Initial		82.7	+1.4	—
Japan Equity Initial		111.6	−1.0	—
North American Initial		69.0	+0.2	—
Pacific Initial		60.3	+1.0	—
Technology Initial		88.6	−0.6	—
Nat Resources Initial		47.3	+0.8	—
European Initial		74.4	+0.6	—
Residential Prop Init.		113.4	—	—
Swiss Equities Initial		30.1	+0.5	—
Hong Kong Initial		44.0	+0.1	—
UK High Inc Eq Init.		57.8	+0.3	—
Int Fixed Interest Init.		49.4	—	—
Int. Managed Init.		46.9	+0.1	—
HIP Managed Init.		101.3	+0.3	—

Hambros Fd Mgrs (CI) Ltd
PO Box 86, Guernsey 0481 26521

Warburg Investment Management Jersey Ltd — Contd.

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FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102[illegible]	99[illegible]	Treas 11½pc 1989	99[illegible]	[illegible]	[illegible]	12.81
101[illegible]	98[illegible]	Treas 9½pc Cnv 1989	99[illegible]	[illegible]	9.[illegible]	12.67
97[illegible]	95[illegible]	Treas 3pc 1989	97[illegible]	[illegible]	3.[illegible]	10.85
102[illegible]	98[illegible]	Treas 10½pc 1989	99[illegible]	[illegible]	10.[illegible]	12.58
102	98[illegible]	Exch 10pc 1989	98[illegible]	[illegible]	[illegible]	12.08
103[illegible]	98[illegible]	Exch 11pc 1989	99[illegible]	[illegible]	[illegible]	11.86
97[illegible]	94[illegible]	Treas 5pc 1986-89	95[illegible]	[illegible]	[illegible]	10.26
104[illegible]	98[illegible]	Exch 10¼pcCv '89	99[illegible]	[illegible]	10.[illegible]	11.27
107½	101[illegible]	Treas 13pc 1990‡‡	101[illegible]	[illegible]	12.[illegible]	11.21
104[illegible]	99[illegible]	Exch 11pc 1990‡‡	99[illegible]	[illegible]	[illegible]	11.10
107[illegible]	100[illegible]	Exch. 12½pc 1990	101[illegible]	[illegible]	[illegible]	11.21
93[illegible]	90[illegible]	Treas. 3pc 1990	91[illegible]	[illegible]	3.[illegible]	9.85
99[illegible]	95[illegible]	Treas 8¼pc 1987-90‡‡	96[illegible]	[illegible]	8.[illegible]	10.92
102[illegible]	95[illegible]	Treas. 8pc Cv 1990‡‡	96[illegible]	[illegible]	8.25	10.17
103[illegible]	97[illegible]	Treas. 10pcCv 1990	97[illegible]	[illegible]	10.22	11.31
91[illegible]	87[illegible]	Exch 2½pc 1990	88[illegible]	[illegible]	2.84	9.51
107[illegible]	100[illegible]	Treas 11¾pc 1991	100[illegible]	[illegible]	11.69	11.11
95[illegible]	89[illegible]	Funding 5¾pc '87-91‡‡	90[illegible]	[illegible]	6.37	10.70
90[illegible]	86[illegible]	Treas. 3pc 1991	86[illegible]	[illegible]	3.47	9.49
105[illegible]	97[illegible]	Treas 10pc Cv '91‡‡	98[illegible]	[illegible]	10.13	10.47
107[illegible]	98[illegible]	Exch. 11pc 1991	99[illegible]	[illegible]	11.01	10.92
98[illegible]	91[illegible]	Treas. 8pc 1991	92[illegible]	[illegible]	8.63	10.94
113[illegible]	103[illegible]	Treas 12¾pc 1992‡‡	105[illegible]	[illegible]	13.13	10.64
104[illegible]	96[illegible]	Treas 10pc 1992	97[illegible]	[illegible]	10.22	10.68
98[illegible]	91[illegible]	Treas. 8pc 1992‡‡	92[illegible]	[illegible]	8.65	10.78
106[illegible]	98[illegible]	Treas 10½pc Cv 1992‡‡	99[illegible]	[illegible]	[illegible]	10.63
86[illegible]	81[illegible]	Treas. 3pc 1992	82[illegible]	[illegible]	[illegible]	9.06
112[illegible]	102[illegible]	Exch. 12¼pc '92	104[illegible]	[illegible]	11.[illegible]	10.79
117[illegible]	106[illegible]	Exch 13½pc 1992	108[illegible]	[illegible]	[illegible]	10.64
97[illegible]	91	Treas 8¼pc 1993	92[illegible]	[illegible]	8.[illegible]	10.46

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

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AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
154p	44p	♦Unilab	154p		—	—	—
24¼	17¾	Utd Technologies	22¾		$1.60	—	3.9
163p	27p	♦Utilitech Inc	124p		—	—	—
34¾	26¼	US West‖	32¼	+⅛	$3.52	—	6.1
24¾	16¾	Waste Management $1	25½xd		48c	—	1.1
16¾	12¾	Whirlpool $1	13¾	+⅛	$1.10	—	4.5
21⅞	16¼	Whitman Corp	17½		96c	—	3.0
33¾	10¼	♦Woolworth $3½	28⅞	+½	$1.64	—	3.2

CANADIANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]	138p	♦ABM Gold Corp ‖	140p	−6	—	—	—
[illegible]	7p	♦Abbot Energy Corp	7p		—	—	—
14⅛	882p	♦Amer. Barrick Res	895p	−22	—	—	—
[illegible]	2¼p	♦Amer. Lightwave ‖	3p		—	—	—
[illegible]	7½p	♦Armeno	16½p	−¼	—	—	—
[illegible]	26p	♦Augmitto Expln	26p		—	—	—
14⅛	10⅛	Bk. Montreal ‖	13	+⅛	$2.00	—	7.0
[illegible]	514p	Bk. Nova Scot ‖	678p		76c	—	5.1
[illegible]	15¼	BCE ‖	17½xd	+⅛	$2.44	—	6.3
[illegible]	527p	♦Bow Valley‖	585p	−5	40c	—	3.1

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

High	Low	Stock	Price	+ or -	Div Net	C'vr	Yld Gr's
[illegible]	32½	Bracken 90c	35		045c	1.2	32.6
[illegible]	19	Cons Mod'tein 5c	23		φ053.3	20.6	–
[illegible]	187	East Dagga R1	238		078c	–	7.3
[illegible]	725	Eastern Trns. Ca. 50c	837		0310c	3.7	8.3
[illegible]	162	ERGO R0.50	164		0115c	1.9	16.0
[illegible]	56	Grootvlei 25c	56	-2	070c	1.2	28.5
[illegible]	433	Kinross R1	530	-9	0270c	1.2	12.4
[illegible]	34	Leslie 65c	36		050c	1.2	38.0
[illegible]	40	Marievale R0.25	44		–	–	–
[illegible]	5½	Modder B Gold Hldgs	5½		–	–	–
[illegible]	30	Rand Ext & Expl 50c	30		–	–	–
[illegible]	8	Roodepoort Gold	8		–	–	–
[illegible]	48	S. African Ld. 35c	51		060c	♦	26.8
[illegible]	47	Vlakfontein 20c	52		†030c	1.3	‡
[illegible]	674	Winkelhaak R1	765	+8	0315c	3.1	9.8
[illegible]	10	Wit. Nigel 25c	10		–	–	–

Far West Rand

High	Low	Stock	Price	+ or -	Div Net	C'vr	Yld Gr's
360	187	Blyvoor 25c	194	-7	[illegible]	1.5	11.7
£10½	614	Buffels R1	614	-9	[illegible]	1.8	21.7
238	110	Deelkraal R0.20	130	-1	[illegible]	2.0	12.8
131	68	Doornfontein R0.25	77		[illegible]	2.0	‡
738	465	Driefontein R0.50	469		[illegible]	1.4	10.0
484	182	Elandsrand Gld. 20c	258	+6	[illegible]	1.6	8.4
197	57½	Elsburg R1	57½	-3	[illegible]	1.0	4.1
511	293	Hartebeest 10c	340		[illegible]	1.7	9.4
780	448	Kloof Gold R0.25	450	-9	[illegible]	2.7	7.2
232	78	Libanon R0.20	98		[illegible]	1.9	‡
£28½	£13¼	Southvaal 50c	£16		[illegible]	1.0	9.5
340	154	Stilfontein 50c	171		[illegible]	1.4	20.0
£63½	£33¼	Vaal Reefs 50c	£37	-⅜	[illegible]	1.7	11.7
238	81	Venterspost R0.25	81		[illegible]	1.5	‡
307	87	Western Areas R1	87	-5½	[illegible]	–	–
£24½	£14¾	Western Deep R2	£14¾	-⅜	[illegible]	2.5	7.8
99	48	Zandpan 10c	50		[illegible]	1.0	10.4

O.F.S.

High	Low	Stock	Price	+ or -	Div Net	C'vr	Yld Gr's
313	149	Beatrix Mines	155		†068c	1.0	10.0
738	378	F.S. Cons. Gold 50c	415	-2	0310c	2.4	17.0
294	110	Free State Dev. 10c	128	-5	–	–	–
621	298	Harmony 50c	311	-15	0115c	2.2	8.4
240½	106	Joel (H.J.) Gold R0.01	114		–	–	–
122	18	Do. Class B (1988) 0p	18		–	–	–
317	88	Loraine R1	88	-9	025c	9.1	6.8
676	350	St. Helena R1	350	-16	†0165c	3.7	10.7
402	156	Unisel	193		0115c	♦	13.6

Diamond and Platinum

High	Low	Stock	Price	+ or -	Div Net	C'vr	Yld Gr's
£79	£46	Anglo Am. Inv. 50c	£71		†0810c	1.0	2.6
714	447	De Beers Df. 5c	602	+2	†0110c	2.5	4.2
425	265	Do. 40pc Pf. R5	330		0200c	x	13.8
590	400	Impala Plat. 20c	525		0180c	2.9	8.1
600	445	Lydenburg 12½c	580		†0150c	–	‡
724	420	Rus. Plat. 10c	692	+7	s0220c	1.4	7.3

Central African

High	Low	Stock	Price	+ or -	Div Net	C'vr	Yld Gr's
208	24	Falcon Z50c	92		b05c	6.1	♦8
25	19	Wankie Col. Z$1	21		†012.5c	6.7	18.1
88	40	Willoughby's Cons. 50p	88		†2.0	10.0	3.0
28	9½	Zam.Cpr.SBD0.24	19	-1			

Finance

High	Low	Stock	Price	+ or -	Div Net	C'vr	Yld Gr's
790	587	Ang. Am. Coal 50c	662		[illegible]	3.2	8.3
£10¼	745	Anglo Amer. 10c	875	+6	[illegible]	2.0	6.0
£55¼	£36¼	Ang. Am. Gold R1	£37½	-⅜	[illegible]	1.1	‡
£65	£40	Anglovaal 50c	£49		[illegible]	4.6	3.0
31	16	Clogau Gold 10p	16				
£14	758	Cons. Gold Fields	£12⅛	+⅛	[illegible]	2.7	3.3
916	505	Gencor R1	610		[illegible]	1.0	9.7
•980	740	Gencor 40c	870		[illegible]	2.6	6.0
39	19	Gold & Base 12½p	22		[illegible]	1.0	2.3
£11	705	Gold Fields S.A. 5c	850	-5	[illegible]	2.0	3.2
£88	£60	Jo'burg Cons. R2	£85		[illegible]	2.2	4.0
£14¾	£10	Middle Wit 25c	£10½		[illegible]	1.7	3.5
814	505	Minorco $1.40	625	-12	[illegible]	2.1	2.7
•752	460	Monarch Res. 10p	523	+15			
314	175	New Wits 25c	200		[illegible]	1.6	5.3
£17½	£10¼	OFS Inns 1c	£10½		[illegible]	4.7	19.3
9	3	Rand London 15c	4				
£13	800	Rand Mines R1	£12⅛	+⅛	[illegible]	3.2	8.3
448	230	Rand Min. Props. R1	273		[illegible]	2.0	10.0
90	55	Vansa S.A.	88				
100	55	Vogels 2½c	88		[illegible]	1.3	7.8
88	70	Waverley Min Fin 5p	74				
406	247	Welkom Gold Hldgs 50c	273		[illegible]	1.0	19.6

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
237	150	Royal Sovereign 10p	185		†4.6	1.9	3.3	17.3
26	20	Scott Pickford 10p	20½		3.1	0.7	20.2	10.6
116	68	Seacon Hldgs	96	+3	21.0	–	1.4	–
[illegible]	7	Sonic Tape 2½p	7½	+½	♦	–	–	9.9
[illegible]	18	Staks Hldgs. 5p	19		–	–	–	22.5
[illegible]	2¼	Swanyard Studios 1p	2½		–	–	–	♦
[illegible]	200	Takare	285		b1.0	8.1	0.5	29.3
[illegible]	26	Tomorrows Leisure 20p	28		–	–	–	13.9
[illegible]	13½	Tullow Oil 10p	19	+1	–	–	–	–
[illegible]	105	UPL Group 10p	110		L2.41	♦3	2.9	15.0
[illegible]	120	Unit Group	147		F7.5	2.9	6.8	8.4
[illegible]	12½	Whitegate Leisure 20p	13		–	–	–	–
[illegible]	6	Do. Wrrnts	10		–	–	–	–
6½	2	Wilton Group	5½	+½	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ⁑ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∎ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Albany Inv 20p γ	67	
Craig & Rose £1 γ	718	
Finlay Pkg. 5p γ	85	-1
Holt (Jos) 25p γ	£11¾	

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 1991	£99¾	
9pc Cap Ln. 1996	£103¼	
Fin. 13% 97/02	£124¼	
Arnotts	385	
Carrol (P.J.) γ	145	
Grafton Grp. γ	143	
Hall (R. & H.)	153	
Heiton Hldgs. γ	60	-3
Irish Ropes	170	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	48
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	11
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	13
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	20
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	13
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	38
Land Securities	52
MEPC	58
Peachey	54

Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	48

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Trade moribund at year-end

THE DOLLAR lacked direction yesterday, closing in Europe little changed on the day. Trading was very thin.

Tokyo tried to get the market off to a lively start, pushing the dollar higher up and then taking profits, but Europe was not in the mood to keep the pot boiling and New York took a similar view.

Underlying sentiment suggested a short term rise by the dollar, but in such a thin market the West German Bundesbank was able to show its displeasure at any further advance, by selling $13.1m in Frankfurt when the dollar was fixed at DM1.7855, compared with DM1.7893 on Wednesday.

The dollar touched a peak of DM1.7940, but the Bundesbank's intervention was enough to prevent any chance of an attack on the DM1.80 level.

It fell back to close at DM1.7880, compared with DM1.7895 on Wednesday. The dollar also declined to FFr6.1000 from FFr6.1075, but rose to Y125.80 from Y125.40 and to SFr1.5140 from SFr1.5120.

According to the Bank of England the dollar's exchange rate index fell to 94.7 from 95.0.

Sterling was also very quiet. The pound rose 10 points to $1.7900. It also improved to Y225.25 from Y224.50 and to SFr2.7100 from SFr2.7075, but eased to DM3.2000 from DM3.2050 and to FFr10.9200 from FFr10.9350.

Sterling's exchange rate index rose 0.1 to 77.4. As from today, calculations by the Bank of England on sterling's index will include revised currency weightings, and a change in the base date to 1985 from 1975.

The most significant change will be a fall in the dollar's weighting to about 20.4 p.c. from 24.6 p.c., and a rise in the currencies of the European Community to 55.6 p.c. from 47.5 p.c. This will include a weighting to 20 p.c. for the D-Mark, compared with 14.1 p.c. previously.

The Malaysian ringgit was under pressure, and received from the central bank in Kuala Lumpur.

The US dollar was quoted at around MR2.7115 following central bank sales of around $20m, after it rose to a record high of MR2.7175 at Wednesday's close.

The Israeli shekel was the subject of further rumours yesterday, following a 5 p.c. devaluation on Tuesday.

The Bank of Israel denied it is about to temporarily return the shekel to its former value of $1.60 to avoid increasing companies liabilities on end of year balance sheets.

The central bank has threatened to devalue the shekel again, if the public continues to buy dollars on a large scale. On Wednesday public purchases of dollars were estimated to be around $80m, despite the devaluation.

In an attempt to stop speculation against the shekel the Bank of Israel raised short term interest rates to 48 p.c. yesterday, at its weekly money tender to commercial banks.

Before Tuesday's devaluation - which was forced on the authorities by speculative pressure - it had been suggested the shekel would be devalued by about 15 p.c. in early January.

£ IN NEW YORK

Dec.29	Latest	Previous Close
£ Spot	1.7910-1.7920	1.7890-1.7900
1 month	0.51-0.50pm	0.49-0.46pm
3 months	1.50-1.48pm	0.48-1.45pm
12 months	4.95-4.85pm	4.78-4.68pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.29	Previous
8.30 am	77.3	77.4
9.00 am	77.4	77.3
10.00 am	77.3	77.4
11.00 am	77.3	77.4
Noon	77.3	77.3
1.00 pm	77.3	77.4
2.00 pm	77.4	77.3
3.00 pm	77.3	77.3
4.00 pm	77.4	77.3

CURRENCY RATES

Dec.29	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.748547	0.649450
U.S Dollar	6.50	1.33900	1.16349
Canadian $	8.75	1.59984	1.38793
Austrian Sch.	4	16.8634	14.6192
Belgian Franc	7.75	50.2828	43.5872
Danish Krone	7½	9.27258	8.02982
Deutsche Mark	3½	2.39587	2.07811
Neth. Guilder	4.5	2.70813	2.34606
French Franc	9½	8.19066	7.09438
Italian Lira	12½	1767.75	1528.53
Japanese Yen	2½	167.576	146.076
Norway Krone	8	8.84410	7.66681
Spanish Peseta	-	153.723	133.161
Swedish Krona	8½	8.24824	7.16070
Swiss Franc	3.5	2.02551	1.75745
Greek Drach.	20½	199.457	172.941
Irish Punt	-	N/A	0.777266

*All SDR rates are for Dec.28

CURRENCY MOVEMENTS

Dec.29	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.4	-14.9
U.S Dollar	94.7	-12.8
Canadian Dollar	85.0	-1.6
Austrian Schilling	134.8	+9.9
Belgian Franc	98.3	-5.9
Danish Krone	88.8	-0.5
Deutsche Mark	144.9	+21.1
Swiss Franc	166.0	+19.3
Guilder	133.1	+13.5
French Franc	68.8	-15.5
Lira	45.7	-20.1
Yen	249.1	+85.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)**Rates are for Dec.28.

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5872	+2.66	+0.91	±1.5344
Danish Krone	7.85212	8.02982	+2.26	+0.51	±1.5404
German D-Mark	2.05853	2.07811	+0.95	-0.80	±1.0981
French Franc	6.90403	7.09438	+2.76	+1.01	±1.3674
Dutch Guilder	2.31943	2.34606	+1.15	-0.60	±1.5012
Irish Punt	0.768411	0.777266	+1.15	-0.60	±1.6684
Italian Lira	1483.58	1528.53	+3.03	+1.99	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts to have a half-day

STERLING DENOMINATED contracts continued to weaken in very thin trading on Liffe yesterday. A steady performance by the pound on the foreign exchanges provided some support, but in the absence of other factors the market viewed pessimistically the prospects for any early reduction in the level of UK bank base rates.

Short sterling for March delivery closed at the day's low of 87.08, after opening near the day's high at 87.17. Wednesday's close was 87.20.

March long gilt futures also weakened, finishing just above the day's low at 95-16, compared with 95.22 previously.

Trading in the long, medium and short gilt futures, and long gilt option contracts will be for a shorter period than usual today, although members of Liffe will still be able to exercise long gilt options contracts up to the normal time of 5 pm.

Gilt-edged market makers in the cash market have obtained permission from the Bank of England to end trading for the day at noon. Trading in gilts on Liffe will also finish at noon.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
90	535	647	3	3
92	339	456	7	12
94	157	314	25	34
96	46	158	114	114
90	14	63	246	219
100	4	28	436	348
102	2	11	634	531

Estimated volume total, Calls 318 Puts 110
Previous day's open int. Calls 16541 Puts 13702

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
82	717	704	5	26
84	525	528	13	50
86	341	360	29	118
88	207	242	59	200
90	102	155	154	313
92	28	109	316	431
94	11	45	463	603

Estimated volume total, Calls 100 Puts 290
Previous day's open int. Calls 2364 Puts 3513

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
17000	1456	91
17500	1058	193
18000	724	359
18500	463	598
19000	277	912
19500	153	1288
20000	79	1714

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT: [illegible]

7-10 YEAR 9% NOTIONAL GILT: [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND: [illegible]

THREE MONTH STERLING: [illegible]

US TREASURY BONDS: [illegible]

FT-SE 100 INDEX: [illegible]

THREE MONTH EURODOLLAR: [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT): [illegible]

U.S. TREASURY BILLS (IMM): [illegible]

JAPANESE YEN (IMM): [illegible]

DEUTSCHE MARK (IMM): [illegible]

SWISS FRANC (IMM): [illegible]

THREE-MONTH EURODOLLAR (IMM): [illegible]

STANDARD & POORS 500 INDEX: [illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7900	1.7848	1.7749	1.7610	1.7410

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.7776	1.7784	1.7760	1.7760
Jun	1.7610	1.7640	-	1.7610
Sep	1.7500	1.7550	1.7500	1.7514

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 32,902

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Comm. Bk. N.East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	13
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc.	14	TSB	13
Bank Leumi (UK)	13	● Robert Fleming & Co.	13	United Bk of Kuwait	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Mizrahi Bank	13
Bank of Cyprus	13	Girobank	13	Unity Trust Bank Plc	13
Bank of Ireland	13	● Guinness Mahon	13	Western Trust	13
Bank of India	13	HFC Bank plc	13	Westpac Bank Corp.	13
Bank of Scotland	13	● Hambros Bank	13	Whiteaway Laidlaw	13½
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Yorkshire Bank	13
Barclays Bank	13	● Hill Samuel	§13		
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
Cl. Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.95		
Citibank NA	13	Mount Bnkg Corp.	13		
		Nat Bk. of Kuwait	13		

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MONEY MARKETS

US rates firm

INTEREST RATES remained very firm in New York yesterday. The Federal Reserve added temporary reserves to the banking system, via five-day system repurchase agreements, when Federal funds were trading at 9¾ p.c.

This followed forecasts in the market that there was a very large credit shortage of around $5bn to $7bn, and that tight credit conditions will continue over the year-end.

US Trust Co of New York announced a rise in its broker loan rate to 10⅝ p.c. from 10¼ p.c. yesterday.

UK clearing bank base lending rate 13 per cent from November 25

A slight firming of interest rates on the London money market was regarded as technical, reflecting end of year book squaring. Three-month interbank rose to 13⅛-13 p.c. from 13-12⅞ p.c.

The Bank of England initially forecast a money market credit shortage of £600m, but revised this to £750m at noon, and to £650m in the afternoon. Total assistance of £529m was provided.

Before lunch the authorities bought £196m bills, including £166m bank bills outright, in band 4 at 12⅝ p.c. Another £30m bills were purchased, for resale to the market on January 3, at a rate of 12⅝ p.c.

In the afternoon £223m bills were purchased, including £217m outright, by way of £25m local authority bills in band 1 at 12⅞ p.c.; £180m bank bills in band 1 at 12⅞ p.c.; and £12m Treasury bills in band 4 at 12⅝ p.c. Another £6m bills were bought for resale to the market on January 3, at a rate of 12⅝ p.c. Late assistance of around £110m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £59m, with Exchequer transactions absorbing £460m, and a rise in the note circulation £115m. These factors outweighed bank balances above target, adding £15m to liquidity.

In Frankfurt call money fell to 5.00-5.25 p.c. from 5.45-5.55 p.c. The return to the banking system of last week's pension payments, and an end of year inflow of corporate funds, helped improve liquidity.

Some banks were reported to have already fulfilled their monthly reserve requirements, and were offering funds on the market yesterday.

Credit conditions could tighten today however, as a result of recent action by the Bundesbank on the foreign exchanges, taking D-Marks into its own account and selling dollars.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.29) 3 months US dollars		6 months US Dollars	
bid 9⅜	offer 9½	bid 9½	offer 9⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	10⅝-¼
Fed. funds	9⅝
Fed. funds at intervention	9⅝

Treasury Bills and Bonds

One month	7.38	Three year	9.20
Two month	7.99	Four year	9.22
Three month	8.37	Five year	9.20
Six month	8.68	Seven year	9.23
One year	8.97	10-year	9.17
Two year	9.18	30-year	9.00

Dec.29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.00-5.25	5.25-5.40	5.25-5.40	5.25-5.40	5.30-5.50	5.50
Paris	8⅝-8⅞	8½-8⅝	8½-8⅝	8½-8⅝	8⅝-8⅞	7.25
Zurich	4½-4⅝	4½-4⅞	-	4½-4⅞	-	-
Amsterdam	5.68-5.81	5.75-5.85	-	5.75-5.85	-	-
Tokyo	4.21875	5.03125	-	4.71875	-	-
Milan	11½-11⅞	11½-11⅞	-	11½-12	-	-
Brussels	7.50	7⅞-7⅞	-	7⅞-7⅞	-	-
Dublin	6⅞-8⅛	7⅞-8	8-8⅛	8⅛-8⅜	8⅜-8⅝	-

LONDON MONEY RATES

Dec.29	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13½	13	12 15/16	13 1/16	13	12 15/16
Interbank Bid	12¾	12 13/16	12 13/16	12 15/16	12⅞	12 13/16
Sterling CDs	-	-	12 13/16	13	12 13/16	12⅝
Local Authority Deps.	12⅝	12⅝	12⅞	13	12 13/16	12 11/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13	12½	12 9/16	12⅞	-	-
Company Deposits	-	-	12⅞	13⅛	12 15/16	12 15/16
Finance House Deposits	-	-	12 15/16	13⅛	13	12 15/16
Treasury Bills (Buy)	-	-	12⅝	12⅝	-	-
Bank Bills (Buy)	-	-	12 11/16	12⅝	12⅛	-
Fine Trade Bills (Buy)	-	-	13⅛	13⅛	12⅞	-
Dollar CDs	-	-	9.15-9.10	9.25-9.20	9.30-9.25	9.55-9.50
SDR Linked Dep Offer	-	-	7 11/16	7⅞	8	8⅛
SDR Linked Dep Bid	-	-	7⅜	7⅝	7⅞	7 15/16
ECU Linked Dep Offer	-	-	7 15/16	8⅛	8¼	8⅜
ECU Linked Dep Bid	-	-	7 13/16	8	8⅛	8¼

Treasury Bills (sell); one-month 12⅜ per cent; three months 12⅜ per cent; Bank Bills (sell): one-month 12⅝ per cent; three months 12⅝ per cent; Treasury Bills: Average tender rate of discount 12.4732 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 30, 1988. Agreed rates for period January 25, 1989 to February 25, 1989. Scheme I: 13.97 p.c., Schemes II & III: 14.37 p.c. Reference rate for period December 1 to December 30, 1988, Scheme IV&V: 13.173 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from December 1, 1988: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988. Deposits withdrawn for cash 5 per cent.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

JAPAN

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
2pm prices December 29

Quotations in cents unless marked $.

[illegible]

Sales	Stock	High	Low	Close	Chng
6527	Can Capital	$11⅞	11¾	11⅞	+ ⅛
9700	ConCap A	$8¾	8¾	8¾	+ ¼
300	C Guar Trc	$19⅛	19	19	
500	Charan	200	200	200	− 2
5800	Cineplex	$13¾	12¾	13¾	
500	Co Steel 1	$16⅜	16⅝	16⅝	+ ⅛
68858	Cominco	$25	24½	25	+ ⅛
14660	Connaught	$27	26¾	26¾	− ⅛

[illegible]

Sales	Stock	High	Low	Close	Chng
2800	Hollingr	$14	14	14	+ ⅛
12600	Horsham f	$7	6⅞	7	
2143	H BayMn s	$9½	9¼	9½	
16398	H Bay Co	$25¼	24⅞	25⅛	+ ⅛
4665	Imasco L	$28	27⅞	27⅞	− ⅛
16033	Imp Oil A	$49⅞	49½	49⅞	+ ⅛
208800	Inco	$31⅝	30⅞	31⅛	− ⅛
2002	Inland Gas	$12⅛	12⅞	12⅞	

[illegible]

Sales	Stock	High	Low	Close	Chng
29142	Pioneer M	200	291	291	− 5
82760	Placer Dm	$15¼	15	15⅛	− ⅛
722	Poco Pet	$8⅛	8⅛	8⅛	− ⅛
9600	Powr Cor f	$12⅞	12⅞	12⅞	
100	Provigo	$10⅞	10⅞	10⅞	
51240	Ranger	$8	8⅞	8	+ ⅛
8100	Rayrock f	$6⅛	6⅛	6⅛	

[illegible]

Sales	Stock	High	Low	Close	Chng
800	Westmin	$9⅞	9¼	9¼	+ ⅛
440	Weston	$36	33	36	
5478	Woodwd A	430	430	430	

1–No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Dec 28	Dec 27	Dec 23	Dec 22	1988 High	1988 Low	Since compilation High	Since compilation Low
◆Industrials	2166.61	2162.68	2168.93	2160.36	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.78	88.57	88.55	88.58	91.25 (3/3)	86.12 (4/1)	–	–
Transport	965.62	964.57	965.32	961.70	970.90 (19/12)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	185.93	185.75	186.52	186.23	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2179.64 (2179.29) Low 2153.57 (2156.43)

STANDARD AND POOR'S	Dec 28	Dec 27	Dec 23	Dec 22	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	277.08	276.83	277.87	276.87	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	320.49	320.18	321.28	319.89	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.49	24.46	24.57	24.43	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	155.81	155.58	156.06	155.50	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	302.14	301.44	302.22	300.33	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	376.76	376.64	377.34	376.50	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec 23	Dec 16	Dec 9	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.73	3.71	3.46

	Dec 21	Dec 14	Dec 7	year ago (approx.)
S & P Industrial div. yield	3.19	3.22	3.15	3.31
S & P Indl. P/E ratio	12.86	12.73	12.80	16.39

TRADING ACTIVITY — † Volume Millions

	Dec 28	Dec 27	Dec 23
New York	111.949	88.210	81.760
Amex	9.730	7.810	8.900
OTC	105.448	80.781	77.712

NEW YORK	Dec 28	Dec 27	Dec 23
Issues Traded	1,954	1,936	1,903
Rises	780	544	846
Falls	592	792	458
Unchanged	582	600	599
New Highs	32	32	27
New Lows	31	27	26

CANADA

TORONTO	Dec 28	Dec 27	Dec 23	Dec 22	1988 High	1988 Low
Metals & Minerals	3203.4	3222.2	3232.0	3223.3	3232.0 (23/12)	2238.7 (8/2)
Composite	3359.3	3361.6	3366.0	3358.6	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1687.90	1691.37	1696.10	1691.68	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Sthn Cal Edison	3,034,000	32¾	+ ⅛
Navistar Intl	1,972,700	5	
Quantum Chemical	1,791,400	105¾	+ 17¾
Savin Bus	1,639,800	1/32	+ 1/32
Pacific Telesis	1,331,000	30½	− ⅛
Noth State Power	1,284,400	32⅞	− ⅛
Am T & t	1,280,800	28⅞	
USF & G	1,266,100	28⅞	− ⅛
Commonw'th Ed	1,191,400	32⅞	+ ⅛
Interco	1,069,700	33½	.....

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 29	Dec. 28	Dec. 27	Dec. 23	1988 High	1988 Low
AUSTRALIA All Ordinaries (1/1/80)	1486.4	1486.4	(c)	1484.1	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	678.4	680.5	(c)	681.5	847.8 (9/8)	532.4 (10/2)
AUSTRIA Credit Aktien (30/12/84)	219.3	218.9	219.4	219.3	225.48 (4/11)	163.98 (11/2)
BELGIUM Brussels SE (1/1/80)	5565.50	5534.40	5511.00	5505.30	5565.50 (29/12)	3608.35 (4/1)
DENMARK Copenhagen SE (3/1/83)	269.09	265.87	265.02	265.57	269.09 (29/12)	180.68 (4/1)
FINLAND Unitas General (1975)	729.9	726.8	725.9	724.6	772.1 (8/8)	530.6 (15/1)
FRANCE CAC General (31/12/82)	412.3	412.7	411.9	407.3	412.7 (28/12)	251.3 (29/1)
Ind. Tendance (31/12/87)	158.7	158.4	158.5	157.1	158.7 (29/12)	89.7 (29/1)
GERMANY FAZ Aktien (31/12/58)	549.86	550.20	553.59	547.92	553.59 (27/12)	396.40 (29/1)
Commerzbank (1/12/53)	1651.9	1654.0	1664.3	1645.7	1664.3 (27/12)	1207.9 (29/1)
DAX (30/12/87)	1327.87	1333.74	1340.41	1328.46	1340.41 (27/12)	931.18 (28/1)
HONG KONG Hang Seng Bank (31/7/64)	2692.40	2696.44	(c)	2686.59	2772.53 (12/7)	2223.56 (8/2)
ITALY Banca Com. Ital. (1972)	590.37	590.80	589.31	587.44	593.43 (9/11)	423.91 (9/2)
JAPAN** Nikkei (16/5/49)	(c)	30159.00	30050.93	29686.26	30159.00 (28/12)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	(c)	2357.03	2350.44	2308.55	2357.03 (28/12)	1690.44 (4/1)
NETHERLANDS ANP-CBS General (1970)	287.2	287.9	286.4	284.2	287.9 (28/12)	205.7 (4/1)
ANP-CBS Industrial (1970)	251.5	251.6	248.8	248.2	252.6 (31/10)	157.9 (11/1)
NORWAY Oslo SE (4/1/83)	466.14	465.92	460.08	458.99	466.14 (29/12)	327.78 (28/1)
SINGAPORE Straits Times Ind. (30/12/66)	1044.20	1042.77	1036.53	1024.82	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1302.0	1313.0	1316.0	1312.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1934.0	1929.0	1921.0	1908.0	1934.0 (29/12)	1387.0 (12/2)
SPAIN ◆ Madrid SE (30/12/85)	272.96	273.07	273.74	273.71	301.63 (15/6)	225.50 (4/1)
SWEDEN Jacobson & P. (31/12/56)	3442.3	3433.1	3424.1	(u)	3442.3 (29/12)	2148.5 (4/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	603.8	603.1	597.7	595.8	603.8 (29/12)	466.6 (13/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	491.6	492.8	488.8	493.8 (6/12)	401.0 (21/1)

**Saturday Dec. 24: Japan Nikkei 29686.36 TSE 2315.17, Monday Dec. 26: Japan Nikkei 29868.01 TSE 2340.28.

◆Monday Dec. 26: Spain 274.00.
‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 256.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

2pm prices December 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	16⅝	AAR	.44	1.8	17	87	30	24⅞	25	+ ¼
10⅛	6⅛	AGM s	1.01	12.		272	8⅛	8⅝	8⅛	
12⅛	10¼	ACMIn	1.28a	12.		895	10⅞	10¼	10⅞	+ ⅛
10⅞	6⅞	ACM M	n.17e	2.0		150	8⅛	d 6½	8⅝	
12⅛	10⅛	ACMSc	n1.28	12.		759	10⅞	10⅞	10¼	– ⅛
10⅛	6½	ACMSp	n1.01a	11.		372	6⅞	5⅛	6⅞	
6⅛	3⅞	AM Intl				324	4⅞	4⅛	4⅛	– ⅛
23¼	18⅛	AM Int pf	2	9.4		38	21¼	21⅛	21¼	+ ⅛
36	25⅞	AMR			9	729	32¾	32	32⅛	+ ¼
27	25	ANR pf	2.67	10.		3	25¼	25½	25½	+ ¼
9½	5⅛	ARX			16	78	6	6⅞	6	+ ⅛
51¼	65¼	ASA	3a	5.9		422	37⅞	37⅞	37½	– ⅛
20⅞	19¼	AVX	.24	1.4	18	49	18¼	16⅞	16¼	
52⅛	42⅞	AbtLab	1.20	2.0	15	2087	47⅞	46⅛	47⅞	+ ⅞
21⅛	15⅛	AbitiBi g	1			37	18¼	16⅛	18¼	+ ⅛
13⅞	7½	AcmeC	.40	4.3		411	9¼	6⅞	9½	+ ⅛
6⅞	6⅞	AcmeE	.32b	5.0	28	9	6⅛	6⅛	6⅛	+ ⅛
29⅛	16⅞	Acuon			24	61	30⅛	25⅞	25⅞	+ ⅛
17	14½	AdaEx	1.82e	12.		409	14⅞	14⅞	14⅞	
16⅞	7⅛	AMD			16	3317	8⅞	6½	6⅛	+ ⅛
43½	28¼	AMD pf	3	9.8		54	30⅞	30⅝	30⅛	+ ¼
6½	5	Adobe				59	6⅛	6⅝	6⅛	– ⅛
21⅞	16¼	Adob pf	2.40	12.		6	20½	20½	20½	
8⅞	6⅞	Advest	.12	1.6	23	384	7⅞	7⅞	7⅞	– ⅛
36½	30½	AetnLf	2.16	5.6	6	775	46½	47⅛	47⅛	+ ½
35⅞	24	AhlPb s	.22	.6		153	36⅞	35⅛	35⅛	+ ¼
16⅞	16¼	Ahmans	.88	3.6	9	866	15⅛	15⅝	15⅛	– ⅛
4⅞	1⅞	Aileen				111	6⅛	6½	3½	– ⅛
53⅞	65½	AirPrd	1.20	2.6	11	n1169	41⅛	41	41⅞	+ ½
26¼	12¼	AirbFrt	.06	2.7	20	267	22¼	21⅞	30	+ ⅛
20	14⅛	Airlease	2.40	13.	6	28	16½	16⅞	18⅛	– ½
6⅛	6½	AlaP dpf	.87	9.8		4	6⅛	6⅞	6⅞	
97	10½	AlaP pf	8.28	10.		z160	80	81	31	– 1

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NYSE COMPOSITE PRICES

Continued from previous Page

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Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices December 29

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OVER-THE-COUNTER

Nasdaq national market, 2pm prices December 29

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FINANCIAL TIMES Friday December 30 1988

AMERICA

Dow makes a brief foray above its post-crash high

Wall Street

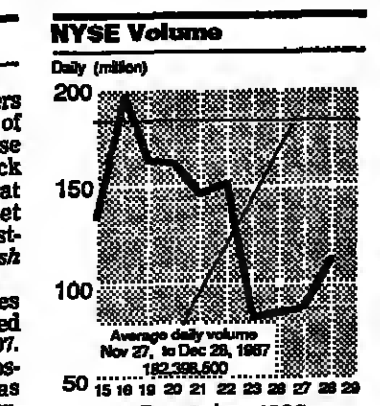
A RUSH by money managers to cut the cash component of their portfolios and increase their exposure to the stock market was one factor that pushed the equity market briefly above its previous post-crash high, *writes Janet Bush in New York.*

At 1 pm, the Dow Jones Industrial Average was quoted 14.64 points higher at 2,181.07. The previous post-crash closing high of 2,183.50 was recorded on October 21. Yesterday morning, the Dow briefly touched a high of 2,187.50.

There were various encouraging factors for the market yesterday. First, the dollar and US Treasury bonds looked relatively firm at the opening. Second, trading during this holiday period has been so thin that the effect of rounds of stock index arbitrage between the futures and cash markets has been exaggerated. Stock index futures periodically traded at sharp premiums to the cash market and therefore prompted buying of underlying stocks.

However, yesterday did apparently see some genuine buying as institutional money managers moved into stocks to boost that proportion of their portfolios for the year-end.

NYSE Volume



This is a usual phenomenon. Portfolio managers prefer to show that they have put their clients' money to work in the financial markets rather than simply sitting on a pile of cash, the most cautious investment position to be in.

There also appears to be an element which is anticipating a stronger market in the new year and therefore does not want to go into the spring too underweight in equities.

Volume remained low in spite of the buying, with only 82m shares changing hands by midsession. However, the fact that the equity market has been able to move higher in the face of considerable concern about US interest rates was seen by many as a hopeful sign. For some investors, the fact that the Dow may end the year at a post-crash high could give a psychological boost.

Yesterday's advance came in spite of another rise in the Federal Funds rate in the money market to a high of 9¾ per cent early in the session. The rate then came down to 9⅝ per cent at midsession which some saw as a trigger for buying of equities in late morning.

However, there did appear to be some resistance to taking the Dow above its previous post-crash closing high.

Chemicals stocks, Wednesday's star performers, continued to do well, benefiting from news of Quantum's restructuring and special dividend. Quantum itself dipped $¼ to $106⅞ after its surge of more than $17 the previous day.

Among other featured stocks was One Price Clothing which dropped $1¼ to $10 in over-the-counter trading

Canada

LOWER gold prices depressed Toronto stocks, which were slightly lower in quiet early trading, with the composite index off 1.2 at 3,358.1. Declines outran advances by 87 to 51 on turnover of 1.8m shares.

Among golds, Placer Dome slipped C$¼ to C$15.

Gorby Rally is star of cheerless US show

There was not much fun in a difficult year on Wall Street, writes Janet Bush

IT IS a measure of how difficult and dull a year it has been for Wall Street that the highlight was the share rally that exploded as Mr Mikhail Gorbachev, the Soviet leader, stepped off his plane at John F Kennedy Airport at the start of his tour of New York earlier this month.

Quickly dubbed the "Gorby Rally", the only disappointment for equity dealers enjoying the first real burst of buying for ages was that the General Secretary did not manage a visit to the floor of the New York Stock Exchange to ring the closing bell.

"I had mixed feelings about it," said Mr Michael Creem, a partner with Mercator Partners, a NYSE specialist firm. "I would rather he had been planning to ring the opening bell than the closing one. It would have seemed like a symbolic end to capitalism."

Equity market traders may not sense the imminent demise of capitalism, but the assessment of 1988 is a sombre one. The stock market is still suffering badly from the after-effects of the October 1987 crash and uncertainties about prospects for the economy have undermined any recovery in confidence.

Institutional participation is very low, individual investors have never really returned as a force in the market, new equity issues have slumped to desultory levels, there have been net redemptions of mutual funds and commissions are down by as much as 40 per cent in brokerages, which relied almost exclusively on a retail customer base.

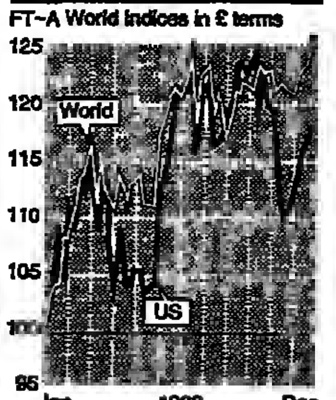
"Did anything fun happen this year? Yes, I went on holiday to Bermuda in August," said Mr Charles Eaton, vice president of equity trading at Nikko Securities in New York. "This is a year most people want to forget."

The dominant feature of trading in 1988 was the adherence of the leading indices to a narrow range, well within the highs and lows of 1987.

Last year, the Dow Jones Industrial Average reached a high of 2,722.42 on August 25 and hit its low of 1,738.74 at the close of business on October 19. The peak this year was 2,183.50 on October 21. Just after the first anniversary of October 19, that surge to a post-crash high seemed a gesture of defiance. But, like other hopeful rallies, this one did not last long and was succeeded by a slow drift downwards.

Mr Brian Fernandez, managing director of Brean Murray, Foster Securities – one of the most successful money managers this year – said: "This has been an extremely dull show from beginning to end. I have never seen a long, flat line like this, even after 1929. There is nothing in my experience which quite parallels this."

There may, in fact, be a precedent for this year of slow drifting within a narrowly confined range. After the 1966 bear market, the Dow failed to breach the range set that year. When it did, it was on the downside, and it was not until 1974 that it finally topped the 1966 high.



On the economic front, 1988 was a particularly confusing year with the overriding source of fear swinging from recession to overheating, back to recession and back again to overheating. As the year draws to a close, that see-sawing debate remains unresolved, with independent forecasters arguing convincingly both for fairly robust growth overall in 1989 and for a recession late next year.

One of the favourite snippets of 1988 for Mr Laszlo Birinyi, equity strategist at Salomon Brothers, was the announcement that the New York classical radio station WQXR had decided to drop its daily stock market comment.

The reason cited was that one day its commentary noted that stocks had risen because the economy was growing strongly. The very next day the commentary said that stocks had gone down because the economy was strong.

For Mr Birinyi, the most noteworthy characteristic of this year has been that Wall Street has risen by about 15 per cent against an average historical annual return of about 10 per cent. "In spite of the fact that we have outperformed historical standards, there is still a feeling that we are in a bear market. I find it incredible," he said.

There is no doubt that the fruits have been unequally divided. Brokerages which rely primarily on commission-based retail business have seen earnings slump by about 35 per cent to 40 per cent.

In spite of the dramatic nature of the stock market crash, the real nightmare on Wall Street in 1987 was bond trading, which shot a cannonball through capital balance sheets, according to Nikko's Mr Eaton. The story of 1988 has been the quiet, undramatic erosion of traditional equity business.

The headlines this year – and the top performing stock lists on the main exchanges – have been dominated by multi-billion takeovers and leveraged buy-outs. As the year ends, the names of RJR Nabisco, Mr Ross Johnson, the chief executive, and Messrs Henry Kravis and George Roberts will be writ large.

The likes of Kohlberg, Kravis, Roberts have been 1988's money-spinners, sucking in pools of liquidity and piling up mountains of junk debt. While the securities industry as a whole has become accustomed to dealing in tried and tested safety investments such as Certificates of Deposit and Treasury bills, the mergers and acquisition kingpins measure their performance (and their fees) in billions.

After all the controversy over programme trading by large institutions – and the publication of monthly figures showing that the proportion of trades on the NYSE accounted for by these computerised trading strategies has dropped from 1987 levels – perhaps an appropriate footnote for 1988 can be found in the movements on the Tokyo Stock Exchange on December 7.

The Nikkei 225 index jumped nearly 300 points in the last half hour that day, taking the index to a record high of 30,050.82. Local dealers attributed that move almost exclusively to stock index arbitrage activity by companies such as Morgan Stanley and Salomon Brothers. Two thirds of the gains were wiped out within the first 15 minutes of December 8.

Perhaps the baton has now truly passed from Wall Street to Marunonchi, Tokyo's financial district.

EUROPE

Special situation stocks buoy Paris

THE LAST day of trading this year for several European bourses ended with shares little changed in thin volumes. Positive economic fundamentals helped Amsterdam reach another high for 1988 and Paris saw the return of special situation trading, *writes Our Markets Staff.* Frankfurt, Zurich, Amsterdam and Brussels are closed today.

PARIS was buoyed by special interest stories although share movements were exaggerated by low volumes. The opening CAC General index eased 0.4 to 412.3 and the OMF 50 index rose 3.18 to 431.86.

Peugeot had a powerful session, climbing FFr38 to FFr1,368, having been as high as FFr1,374. Suez, which said it had raised its stake in construction company Bouygues to 5 per cent from 3.96 per cent, put on FFr2.90 to FFr390.90. Bouygues added FFr2 to FFr610.

Alsthom was strong again, climbing FFr2.10 to FFr416, while CGE – the major shareholder in Alsthom – added 20 centimes to FFr400.10, amid talk that it would soon launch a FFr3.5bn convertible bond issue.

Speculative trading centred on retailing stocks after New Zealand entrepreneur Mr Ron Brierley announced that he had increased to 5 per cent his stakes in Galeries Lafayette – up FFr20 at FFr605 – and BHV – off FFr1.50 at FFr483.60 after profit-taking set in.

FRANKFURT ended the final day's trading of 1988 with shares slightly lower in quiet trading. Traders appeared to have marked prices down to ensure 1989 would start with gains rather than profit-taking, said a dealer.

At midsession the FAZ index was 0.34 easier at 549.86 and by the close the DAX index was down 5.9 at 1,327.8 on turnover worth DM1.7bn.

Chemicals group BASF was one of the heaviest fallers, dropping DM3.90 to DM279.60 amid talk that employees were selling their 1988 bonus shares on expiry of the sell restriction. Elsewhere in the sector Bayer eased DM2.80 to DM306.50 and Hoechst shed DM2 to DM305.50.

MILAN closed slightly easier in lacklustre trading as early gains on the back of demand for insurer RAS were wiped out by late selling pressure. The Comit index ended down 0.43 at 590.37.

Investors flocked to RAS – L60 firmer at L45,250 – on rumours that the group is planning a healthy bonus issue. The insurance sector remained unsettled by the dispute between insurers and the Government over rises in premiums for motor cover.

The insurers have asked the Government to approve a 19 per cent jump in rates next year, but observers say the authorities are unlikely to approve anything over 10 per cent. Generali closed L70 lower at L44,250.

AMSTERDAM brought the curtain down on 1988 trading with another new high for the year, although late profit-taking once again meant shares closed below the day's peaks. Sentiment remains positive on good macro-economic fundamentals say dealers, with the market expecting positive new year statements from most leading companies.

At the close the CBS all-share index was up 0.8 at 107.0 – another peak for the year. The main feature of the day was the return of takeover speculation to shipping group Nedlloyd. Talk that Holland America Line is planning a bid helped Nedlloyd hit a new 1988 high of Fl 282.50 at midday, before the shares eased back to close up Fl 5 at Fl 278.50 on active trading.

ZURICH closed the year on a strong note, underpinned by the firmer dollar and demand for banks. The Crédit Suisse index added 2.6 to 524.4 and the all share index put on 4.8 to 942.4, leaving it just below its high for the year of 943.8, reached in early November.

BRUSSELS closed firmer as investors pushed shares higher in order to maximise year-end portfolio values. At the end of trading the cash index was up 31.1 at 5,585.5.

Among the best performers were stores group GB-Inno, which climbed BFr8 to BFr1,346 on bullish prospects for the retail sector and chemical group UCB, up BFr280 at BFr9,250 in a thin market.

STOCKHOLM closed at an all-time high despite seeing shares retreat from strong morning gains.

At the end of trading the Affärsvärlden index was 0.7 firmer at 1,014.0 on turnover worth SKr600m.

MADRID saw an uninspiring session end with a slight fall on selective end-of-year profit-taking. The general index closed 0.11 easier at 272.96.

SOUTH AFRICA

DULL trading in Johannesburg left share prices virtually unchanged yesterday.

A weaker bullion price pushed some gold stocks a little lower, with Vaal Reefs off R2 at R262 and Elandsrand 40 cents down at R17.85.

ASIA PACIFIC

Profit-taking dominates in light turnover

PROFIT-TAKING after recent gains and the absence of a lead from overseas left the Asia Pacific markets easier in light trading. Tokyo was closed.

AUSTRALIA was boosted by trading linked to the expiry of the December options series, but with most institutions on holiday, volumes remained thin and gains few and far between. The All Ordinaries index closed unchanged at 1,486.4 on light turnover.

Banks were again actively traded – the sector accounted for almost half the day's total turnover – with Westpac advancing 6 cents to A$5.60 as investors bought the stock before it goes ex-dividend today. ANZ rose 4 cents to A$5.48 while National Australia fell 4 cents to A$6.22.

HONG KONG fell prey to profit-taking after Wednesday's good gains, but late bargain-buying helped repair some of the damage. At the close the Hang Seng index was 4.04 lower at 2,692.40 on turnover worth HK$740m.

The most heavily traded stock was Hongkong Land, up 5 cents at HK$9.10.

TAIWAN ended a turbulent year with a sharp fall in share prices prompted by worries over higher oil prices and interest rates. The approaching reimposition of a capital gains tax – scheduled for the new year – added to the gloom.

The weighted index closed 226.35 lower at 5,119.11. Banks were particularly heavily sold, with many posting the daily maximum loss allowed by the exchange of 5 per cent. Chang Hwa Commercial dropped T$29 to T$569, First Commercial T$28 to T$549 and Hua Nan Commercial T$29 to T$568.

The Taiwan Stock Exchange announced the introduction of two new stock indices when the market reopens on January 5. The first will be based on the composite stock price average of 30 industrials, including the service sector, while the second will use the stock price average of 20 industrials, excluding the service sector.

It is believed the new indices are being introduced to counter complaints that the existing weighted index does not reflect the market's true performance, because the banking sector makes up over 40 per cent of the index.

SINGAPORE was hit by profit-taking as three days of rises ended on the absence of a lead from Tokyo. The Straits Times industrial index lost 2.73 to 1,044.20 as 24m shares changed hands. Most business was in property and Malaysian stocks.

IFC EMERGING MARKETS INDICES

Market	No. of stocks	PRICE: November 1988	% Change on Oct (Dollar terms)	% Change on Dec 31 '87 (Dollar terms)	November 1988	% Change on Oct (Local currency terms)	% Change on Dec 31 '87 (Local currency terms)	TOTAL RETURN: November 1988	% Change on Oct (Dollar terms)	% Change on Dec 31 '87 (Dollar terms)
Latin America	(158)	143.1	3.1	65.7	–	–	–	186.9	4.8	81.0
Argentina	(24)	175.3	−14.2	28.4	15,023.4	−10.5	487.2	194.5	−13.4	37.2
Brazil	(57)	76.5	−4.3	69.4	13,356.7	17.2	1258.0	104.6	−1.5	90.8
Chile	(25)	445.5	6.8	19.1	843.2	5.9	25.5	669.8	7.0	32.1
Mexico	(52)	372.6	15.2	112.9	4,451.4	15.2	123.5	480.9	15.2	122.8
Asia	(205)	322.5	8.7	95.6	–	–	–	394.9	8.8	104.0
Korea	(62)	423.2	12.1	72.4	352.0	9.5	49.2	692.1	12.2	89.4
Malaysia	(62)	106.5	−0.2	19.5	117.8	0.0	28.6	123.6	−0.1	28.2
Taiwan	(62)	886.8	9.8	181.7	631.2	8.3	158.0	966.0	9.8	164.9
Thailand	(19)	222.0	−6.1	33.0	204.9	−6.5	32.3	362.2	−6.1	43.1

Source: International Finance Corporation. Base date: Dec 31,1984.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	WEDNESDAY DECEMBER 28 1988: US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	TUESDAY DECEMBER 27 1988: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1988 High	1988 Low	Year ago (approx)
Australia (90)	145.14	+0.1	120.28	112.85	4.75	144.93	119.08	112.84	152.31	91.16	102.69
Austria (18)	95.10	−1.2	78.81	88.58	2.78	96.25	79.08	88.75	100.00	83.72	99.03
Belgium (63)	133.44	−0.8	110.59	124.23	4.06	134.55	110.55	123.77	139.89	99.14	102.22
Canada (125)	124.47	+0.0	103.15	107.66	3.38	124.42	102.22	107.77	128.91	107.06	110.57
Denmark (39)	153.62	−0.9	127.31	144.84	2.09	155.02	127.36	144.90	159.19	111.42	114.15
Finland (26)	129.04	+0.1	106.94	113.54	1.48	128.96	105.95	112.65	139.83	106.78	–
France (130)	112.44	−0.8	93.18	107.72	3.02	113.32	93.10	107.73	113.32	72.77	86.27
West Germany (102)	87.46	−1.2	72.48	81.37	2.32	88.54	72.75	81.80	88.54	67.78	76.32
Hong Kong (46)	111.66	+1.5	92.53	111.95	4.63	110.00	90.37	110.27	111.86	84.90	88.43
Ireland (18)	129.06	−1.0	106.95	122.05	4.13	130.36	107.10	122.05	144.25	104.60	106.30
Italy (98)	84.63	−0.4	70.13	83.24	2.43	84.98	69.82	83.03	86.73	62.99	77.24
Japan (456)	190.89	−0.1	158.19	151.31	0.50	191.18	157.07	150.84	191.18	133.61	139.10
Malaysia (36)	143.67	+0.0	119.07	150.29	2.80	143.62	118.00	149.57	154.17	107.83	111.80
Mexico (13)	163.30	−1.4	135.33	408.32	1.25	165.55	136.02	413.60	182.24	90.07	103.36
Netherland (38)	111.21	−0.8	92.16	102.56	4.81	112.13	92.13	102.66	112.38	95.23	99.15
New Zealand (25)	66.77	−0.5	55.34	56.52	6.99	67.10	55.13	56.16	84.05	63.32	75.79
Norway (25)	140.03	+0.5	116.05	125.68	2.31	139.33	114.47	124.06	140.03	98.55	101.47
Singapore (26)	126.06	+1.2	104.47	113.11	2.40	124.56	102.34	111.59	135.89	97.99	97.42
South Africa (60)	116.90	+0.9	96.88	98.28	4.70	115.90	95.22	98.38	139.07	98.26	135.55
Spain (42)	145.36	−0.6	120.47	126.64	3.22	146.18	120.10	126.67	164.47	130.73	131.21
Sweden (35)	144.09	−0.5	119.41	131.88	2.17	144.82	118.98	131.28	144.97	96.92	98.30
Switzerland (57)	77.27	+0.1	64.03	72.43	2.34	77.19	63.42	71.71	86.75	74.13	82.50
United Kingdom (315)	133.28	−0.1	110.45	110.45	4.86	133.36	109.57	109.57	141.51	120.66	134.49
USA (572)	112.94	+0.1	93.60	112.94	3.67	112.80	92.67	112.80	115.55	99.19	100.90
Europe (1006)	113.07	−0.5	93.70	100.11	3.75	113.59	93.32	99.77	116.61	97.01	104.84
Pacific Basin (679)	185.79	−0.1	153.96	148.04	0.72	185.99	152.81	147.56	185.99	130.81	135.72
Euro-Pacific (1685)	156.67	−0.2	129.83	129.06	1.60	157.00	128.99	128.63	158.08	120.36	123.42
North America (697)	113.55	+0.1	94.10	112.64	3.65	113.41	93.18	112.51	116.07	99.78	101.42
Europe Ex. UK (691)	100.19	−0.8	83.03	93.94	2.90	100.95	82.94	93.94	101.29	80.27	86.44
Pacific Ex. Japan (223)	124.82	+0.6	103.44	106.82	4.65	124.11	101.97	106.20	128.27	87.51	95.01
World Ex. US (1883)	155.16	−0.2	128.58	128.18	1.68	155.46	127.73	127.77	156.39	120.26	123.10
World Ex. UK (2140)	139.51	−0.1	115.62	124.34	2.03	139.66	114.74	124.08	139.66	111.77	112.53
World Ex. So. Af. (2395)	139.08	−0.1	115.26	123.17	2.26	139.23	114.39	122.85	139.52	113.26	114.35
World Ex. Japan (1999)	113.93	−0.1	94.41	108.05	3.74	114.00	93.66	107.82	115.54	100.00	102.72
The World Index (2455)	138.94	−0.1	115.14	123.01	2.27	139.08	114.27	122.69	139.43	113.37	114.49

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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Irish market closed December 28. A full update of Danish prices was unavailable December 28
Latest prices were unavailable for this edition.